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## Gingerly, Mitterrand and Kohl Edge Toward a Joint Defense

PARIS - Drawn together by their common fears about European security following the anticipated departure of U.S. medium-range nuclear missiles, President Fran-cois Mitterrand of France and Chancellor Helmut Kohl of West Germany are moving closer on defense cooperation.

Mr. Mitterrand said Saturday that he approved of a proposal The French defense minister, made by Mr. Kohl on Friday night André Giraud, expressed his sup-

to establish an experimental port Sunday for the brigade but French-German army brigade: close military cooperation.

mand

#### U.S. Offered Nevada Site For French Nuclear Tests

By Michael Richardson al Herald Tribune

SINGAPORE - In an effort to reduce anti-nuclear sentiment among South Pacific countries, the United States secretly offered to let France use nuclear test facilities in Nevada as an alternative to French testing at Mururoa atoll, U.S. and Australian officials have disclosed.

France rejected the offer of access to the U.S. test range that Britain accepted many years ago, the officials said, but the offer re-

A U.S. official said Friday that the approach to France had been made discreetly and informally "a couple of times over the years, most recently about a year ago."

"It was more in the nature of a private sounding to let the French

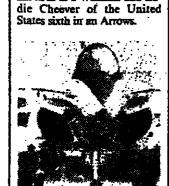
#### Kiosk Senna Wins

Detroit Prix DETROIT (Reuters) - Ayrton Senna of Brazil, driving a Lotus, won the Detroit Formu-

la 1 Grand Prix motor race Sun-Nelson Piquet of Brazil was second in a Williams, with the feigning world changion, Alain Prost of France, third in a McLaren. Gerhard Berger of Austria finished fourth in a Fer-

rari, with Nizel Mansell of Brit-

ain fifth in a Williams and Ed-



The Rafale, a twin-engined warplane, has been chosen by France to equip its air force and navy by 1996. Page 2.

GENERAL NEWS

■ ETA admitted bombing 2 Barcelona supermarket; 70,000 Page 6. hold a protest. ■ The U.S. Congress is consid-

ering bills that would deeply affect trade and domestic con-SPORTS

Tom Watson held the lead going into Sunday's final round of the U.S. Open golf tourna-

BUSINESS/FINANCE ■ Ivan Boesky's once-vast financial empire is being disman-

Apartheid activists are pressuring non-American compa-nies in South Africa. Page 15.

#### Money's New Capital

Japan has emerged as the world's largest creditor nation and its banks and security houses have become majo players on international capital markets. A Special Financial Report. Pages 7-13.



TOMORROW

The factory of the future, compact disc video and biodegradable plastics — among the high-lights of a new Herald Tribune feature, TechnologyQuarterly, beginning in tomorrow's edi-

But he added that there were such a unit should be "alongside many historical obstacles to such

The biggest of these is the fact that West Germany is a fully integrated member of the North Atlan-tic Treaty Organization, while France, although a member of the alliance, is outside its military com-

# know that if they wanted a way out of the South Pacific we could pro-

vide it," he said. some countries in the region that ties for a stronger "European pil-

One percent of Soviet nuclear arms could destroy the U.S. economy, study says. Page 2.

States, including Australia and New Zealand, were objecting anti-French feelings could develop into an anti-Western mood in the South Pacific.

The U.S. official, who asked not to be identified, is traveling with pean component of NATO.

Secretary of State George P. Shultz

A similar idea was put for

Britain did nuclear testing at Maralinga in Australia and the Monte Bello Islands off the northwest coast in the 1950s. But in the face of growing objections from Australia and other countries in the region, Britain accepted a U.S. offer to use the Nevada test range.

In response to questions about a similar offer to France, some officials in Washington earlier this

See NUCLEAR, Page 6

of NATO, and not subordinate to

The minister spoke after meeting with his West German counterpart, Manfred Wörner, on Saturday at the Paris Air Show.

The prospect of a combined fighting unit formed by two countries that have fought three wars in the past 117 years underlined a common feeling that Europe should make stronger efforts to de-fend itself if U.S. cruise and Per-shing-2 missiles are withdrawn as part of an agreement with the Sovi-

Such an accord would leave a gap on the NATO side between short-range nuclear weapons and the U.S. strategic arsenal.

The disarmament proposals have touched off fears in Western Euide it," he said. rope of a "decoupling" of Ameri-Australian officials said Wash- can and European nuclear defenses ington had made the offer because and focused attention on possibililar" for NATO.

Mr. Mitterrand and Mr. Kohl stopped far short of some recent proposals for closer French-German cooperation, including a call to extend French nuclear deterhad good relations with the United rence to the defense of West Ger-

For example, Helmut Schmidt, strongly to the French testing. The the former West German chancel-United States was concerned, the lor, said in Paris a week ago that he officials said, that anti-nuclear and would like to see European conventional forces combined under a French supreme commander, in alliance with the United States and Canada, in order to stress the Euro-

Secretary of State George P. Shultz
on a tour of Asian and Pacific
countries.

Britain did nuclear testing at

A similar idea was put forward
recently by General Gerde
Schmückle, a former deputy supreme commander of allied forces

"NATO ought to offer France the opportunity of having the first European generalissimo," he said. Perhaps the time has now come to do it, to show that Europe is responsible for its own defense."

commander would overcome some of the problems caused by France's

See FORCE, Page 6





#### Rites and Arrests at Stonehenge

A demonstrator being led away from the prehistoric circle of stones at Stonehenge in England, one of about 40 persons arrested on Sunday trying to break through police lines during summer solstice ceremonies. Druids performed the sunrise rites, left, as about 500 people watched from outside a fence.

## Secret Saudi Funding Aids U.S. Policy Goals

reporting by Steven V. Roberts, Stephen Engelberg and Jeff Gerth and was written by Mr. Roberts.

New York Times Service

WASHINGTON — Saudi Arabia has secretly contributed billions of dollars since the early 1970s to movements and governments in a lozen countries to further Western. anti-Marxist interests, often at the urging of the United States.

Interviews with diplomats, inteligence specialists and lawmakers suggest that Saudi Arabia has regularly helped finance U.S. foreign policy, particularly in areas where In practical terms, a French the executive branch has been unwilling or unable to gain congressional support for its goals and pro-

money has assisted pro-Western movements or governments in such countries as Afghanistan, North Yemen, Somalia, Sudan, Pakistan, Zaire and Nicaragua. The Saudis have felt some regional, political or religious stake in most of these countries, and in those cases American and Saudi interests coincided.

Saudi Arabia's secret contributions to the Nicaraguan rebels, estimated at \$32 million, were disclosed as a result of the Iran-contra

seconds to sign a check," said Wil- countries. But the Saudis have also liam B. Quandt, a senior fellow at been motivated by a deep desire to the Brookings Institution and a for-cultivate American friendship and mer Middle East specialist on the military support. The Saudis dem-National Security Council staff onstrated that desire on Friday

can get somebody else to pay for it, it's nice and convenient. A former diplomat with wide ex-

perience in the Middle East said: They have been terrific in lots of places. Anytime we needed them to pay for something, we always turned to the Saudis. We viewed them as this great milk cow."

In most cases, the contributions have furthered Saudi national interests by opposing communism "It takes King Fahd about 10 and promoting stability in Moslem

which could end with Iran prevail-

ing, with the stimulus that gives to

"They don't wish to see a war Iraqi Jets Hit Ship

Islamic fundamentalism and the in the Gulf shipping war, announc-

threat it poses to their own Moslem ing that its jets struck a large naval

during the Carter administration, when they agreed to allow surveil-"It takes Congress weeks to debate lance planes based on their territothe smallest issue of this sort. If you rv to expand patrols over the Gulf and help protect ships flying the American flag.

American and Saudi interests do not always coincide, however. The Saudis have long opposed Israel and used their considerable wealth to finance Israel's enemies, including Syria and the Palestine Libera-

Some joint Saudi-American operations have been publicized before, usually in sketchy form. But the full scope of the effort has remained largely hidden, even to American diplomats and lawmakers who deal with Saudi affairs.

See SAUDL, Page 6

## Seoul **Considers** Reforms

#### U.S. Sending Aide to Press For Elections

By Lena Sun

Washington Post Service SEOUL — South Korea's governing party met Sunday to consider what concessions it could offer the opposition to defuse political tensions that have fueled 11 days of street protests.

A parliamentary caucus of the Democratic Justice Party outlined a package of what it described as democratization reforms that were to be presented Monday to President Chun Doo Hwan, the state

[A U.S. assistant secretary of state being sent to Seoul said that the United States would press the government to hold open elections and resume negotiations with opposition leaders.

No details of the parliamentary caucus negotiations were provided. but party sources quoted in South Korean newspapers said the mea-sures would include a lenient policy for those demonstrators arrested in the anti-government rallies that began June 10, and the release of an opposition leader. Kim Dae Jung, from a two-month house arrest.

The discussions Sunday were presided over by the Democratic Justice Party chairman, Roh Tae Woo, who has met with the heads of two minor opposition parties, but has been unsuccessful in meeting with Kim Young Sam, the leader of the main opposition party, the Reunification Democratic Party. The opposition party has set conditions for talks. The streets of the capital, mean-

while, were relatively quiet Sunday. The narrow alleys in many parts of battleground of intense clashes between student demonstrators and police were filled with shoppers, enjoying the sunny weather and the reduced presence of police. Street vendors who have lost

business because of the clashes were out in force throughout the city, selling everything from cotton candy to costume jewelry. But there were reports from the

provinces of violent demonstrations continuing in Pusan, Kwangju and Taegu. In the southern port of Pusan,

the country's second-largest city, where there have been large anti-Mr. Armacost said U.S. officials the same, with the White House government rallies, several thouthe United States, the Soviet Union working on the plan had found the hoping to limit the Soviet Union's and other members of the United Soviet Union to be "surprisingly role there. sand students burned a police post and marched for about three miles (about five kilometers) before th police confronted them with volleys of tear gas, witnesses said.

Reuters reported that at least 800 protesters in Pusan were arrested

In one disturbance in Seoul on See KOREA. Page 6

## Some Loyalists Oppose Extended Pinochet Rule

By Juan De Onis

d Herald Tribune power beyond 1989.

opposing General Pinochet's politi- for "national reconciliation."

distanced themselves publicly last Pinochet in September. week from General Pinochet's effort for a new eight-year term.

cess begun by the armed forces," Admiral Merino said at a news conference, "would be a civilian, in national consensus." Moffitt, an American women who
"The armed forces," General worked with Letelier, was also

Matthei said last week, "should not be involved in the electoral process." This We must not be judge and party to General Pinochet, 70, who is still

ceremony at the Infantry School became a political event last week when he was presented with a book

Orders have gone out from the Ministry of Interior, where General Pinochet has placed army officers in important positions, to Chile's 340 mayors and 50 provincial governors, many of whom are military officers, to mobilize support for his government through jobs, social programs and attention to local

These signs of turning the army and the government bureaucracy into a political machine have drawn strong criticism, even from staunch conservative organs. The Santiago newspaper El Mercurio said in an editorial that the military must remain impartial.

Under the constitution approved in 1980, the four-man military junta nominates the presidential candidate whose name would be submitted to a national plebiscite next year. Only if the junta's candidate is rejected by a majority "no" vote would there be free, open elections a vear later.

Internal disaffection with General Pinochet is fed by deteriorating Chilean relations with the United States and by renewed criticism from the Roman Catholic Church of violent methods employed by government security forces, which last week

SANTIAGO - Resistance is In the first church friction with growing in Chile to President Authe government since the visit by ochet's campaign to stay Pope John Paul II in May, the arch-Armed forces and conservative public disclosure" on who gave the political sectors that have been his orders for the killings. In May, loyal supporters since 1973 have John Paul termed the Chilean govjoined the center and left parties in ernment "dictatorial" and called

Human rights groups have The commanders of the Chilean claimed that some of the victims Navy and Air Force, Admiral José were unarmed. The government Toribio Merino and General Fer- said all were members of the Comnando Matthei, who form part of munist Party's guerrilla arm that the four-member military junta, attempted to assassinate General The United States has voiced strong displeasure over General

"The ideal presidential candidate for a continuation of the pro-Pinochet's refusal last week to hand gence officers indicted in Washington for the bombing assassination there in 1977 of Orlando Letelier, a his early fifties, who is backed by a Chilean exile leader. Ronni K. Moffitt, an American women who

"This was an act of international terrorism and we take very seriousthe contest. Whoever runs should by that those responsible be tried,"
do so as a civilian and we will said the U.S. ambassador, Harry \$450 million in interest payments guarantee that the process is Barnes, after the U.S. request was turned down.

It is uncertain whether economic on active duty, has publicly in-sanctions are being considered. An voked the support of the army. A amendment to the U.S. foreign aid bill would impose credit and trade



Augusto Pinochet

restrictions on Chile, but the Reagan administration earlier rejected such a punitive course.

until the end of next year.

See CHILE, Page 6

General Pinochet's refusal to allow General Manuel Contréras Sepúlveda and Lieutenant Colonel Pedro Esoinoza to be tried in the United States was announced that refinanced Chile's foreign

The refinancing agreement was essential for General Pinochet's election strategy of running on a record of economic recovery and

#### U.S. Aide Reports East-West Effort In the UN to Devise Gulf Peace Plan not include naval protection ar- Mr. Armacost reiterated that WASHINGTON - A State Derangements in the Gulf. U.S. interests in the Gulf remain

cooperative.

partment official said Sunday that

Nations Security Council are work-

ing on a plan to end the Gulf war. "We're working in the Security Council to engage the Russians and the other permanent members in a call for a cease-fire and return to boundaries, exchange of prisoners, population in Central Asia," he target, the usual reference for a other arrangements backed by mandatory sanctions, and we've found, to our surprise, that has elicited the support of all the permanent members," Undersecretary of State Michael H. Armacost said on

a CBS News television program. "That is the first resolution calling for a cease-fire," he said. "The question now is whether we can negotiate agreement on mandatory sanctions.

Mr. Armacost said that the Unit-Wednesday only hours after Chile ed States, the Soviet Union and the signed a \$10.6 billion agreement in other permanent members - Brit-New York with 405 creditor banks ain, France and China - had been discussing a peace plan "for several months in New York." The United States and the Soviet

Union have been involved in the effort because "we share at least temporarily an interest in the re-Iranian victory in the Gulf war." Mr. Armacost said.

MOSCOW - The Soviet Union held its first experiment with multicandidate balloting on Sunday in scattered districts during local elec-

> of Mikhail S. Gorbachev's campaign for "democratization." Although voters in only 5 perballot box, the elections of local councils and district court judges

By Celestine Bohlen

In Local Council, Judicial Elections the official press hailed as a major about 50,000 district, city and rural break with past practices.

Iraq has broken a monthlong luil

See GULF, Page 6

practice already in place in several East European countries. The experiment announced in tions that also tested other themes April as a consequence of political

Soviet Tests Multicandidate Ballots

the country. No multicandidate list cent of election districts across the was offered in Moscow, and the gion, an interest in preventing an country were given a choice at the only one in the Moscow region lies in an area closed to foreigners. More than two million candi-

He emphasized that the talks did took place under conditions that dates are running for seats on

reforms pressed by Mr. Gorbachev.

took place in 76 districts around

councils, which handle day-to-day The most significant experiment local business such as housing, involved multicandidate lists, a public transport and medical care. In the experimental areas, election districts were consolidated, and voters were able to choose from a number of candidates that exceeded the number of positions. But even the losers will have a role. the vote will be allowed to participate in local councils but not vote.

At voting district 5 in Moscow's

Krasnopresenski region, where Mr.

Gorbachev and his wife. Raisa, vot-

ed, Tamara Zuikova, the election

committee chairwoman, said that changes in procedures had made the candidates more accountable. Only one name for each office was on the ballots given to the 1,850 voters in the district, but during the nominating stage, two or three names were presented to the "work collectives" charged with

choosing the candidates, she said. "Before, it was always one," she said, "As a result, this time, we are seeing new people, and younger

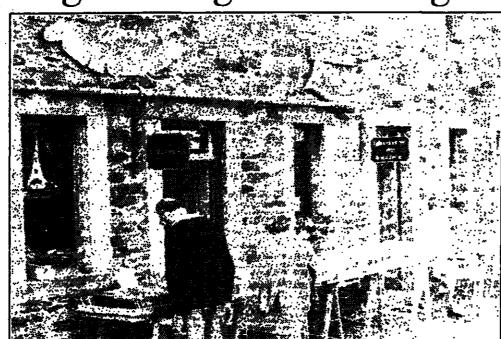
people. According to official predic tions, the election will result in an 80 percent turnover on the 800member Mossoviet, or city council. Sixty percent of the city's 9,970 deputies on regional councils will be changed, according to Miss Zui-

In Moscow, city officials have pushed candidates to meet with voters, not only in big meeting halls, but in courtyards, and to organize "meet-the-candidate" gath-

"Now the voter is able to take the the Ardennes could do this. This candidate by the arm and take him home, show him poor facilities for children, repair problems, whatever." Miss Zuikova said. "Then later, he can say, 'You saw this with your own eyes. What is your plat-

> She said "it is not always easy to See VOTE, Page 6

## Containing 100,000 signatures supporting his staying in power belowd 1989. Belgian Village Turns a Page to Economic Rebirth



International Herald Tribune REDU, Belgium - Like other

that has threatened farm towns in other European countries. But rather than wither away. Redu bet its future on becoming a center for buying and selling used books. The gamble has paid off, and Redu has found a way to avoid extinction. Beginning in 1984, some residents opened bookstores of their own, and farmers rented aban-

was rented out and turned into bookstores. "This has created jobs and it has allowed houses to be renovated." says Etienne Alexandre, a burly

structures and set up shop. Even

farming communities in Western Europe, this quaint village in the heart of the Ardennes has a stone church, a modest city hall and a small school. But Redu, population 450, is a bit different. It also has 26 bookstores and a booming local Until recently, Redu faced the

same kind of economic collapse

doned stables to book entrepreneurs, who renovated the wood

forest ranger in Redu who opened a

store specializing in wilderness books. "The village is living again."

Last year, an estimated 120,000 people came to buy or sell books in Redu. where each store has a speciality. For example, one shop stocks art books, another offers books on history, and still another focuses on astronomy. Most of the books are in French, though English, German and Dutch are well represented. Although a large number of tour-

ists visit Redu, many of the stores

do business with professional and

sities. Buyers from Japan have even shown up to poke around, according to Noel Anselot, who helped organize Redu's transformation. "It succeeded because it was a crazy idea," says Mr. Anselot, a retired businessman and amateur book collector, "Nobody would have ever thought a tiny village in

was ready to close."

The genesis of Redu's turnaround can be traced to the Welsh town of Hay, on the River Wye, which itself staved off economic

See BOOKS. Page 6

village was dead five years ago. There was only one store, and it

#### **Moscow Could Destroy** U.S. Economy With 1% Of N-Arms, Study Says

By William J. Broad New York Times Service

NEW YORK - In a challenge to the U.S. government's position on the long-term effects of nuclear war, a study concludes that a limited attack on the United States, involving only I percent of the Soviet strategic nuclear arsenal, could set off a collapse of the U.S. economy that would last decades.

U.S. officials say that the study is flawed and that recovery from even large attacks could take place in years, not decades.

The study, by the Massachusetts Institute of Technology, said an attack aimed only at liquid fuels and their distribution points could cripple transportation, energy production and primary industries, damaging the U.S. economy so thoroughly that most of the population would starve in months.

existence" for decades. The study added, however, that

the Soviet Union is even more vul-

The study was based on four years of computer simulations of nuclear attacks and their consequences. The computer instructions used were a modification of a model originally developed for the Federal Emergency Management Agency, which plans relief measures for war and natural disasters.

The prevailing government view is based more on experts' analysis than on computer models. Kosta Tsipis, senior author of

the study and director of MIT's Program in Science and Technology for International Security,

#### Earthquake Shakes Rhodes

ATHENS - An earthquake measuring 5.2 on the Richter scale shook the Greek island of Rhodes

on Saturday night. The police said there were no injuries or damage.

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the economy recovers. But this program shows it will not recover even 25 to 30 years after an attack."

Officials with the federal agency faulted the MIT study. Paul K. Krueger, the agency's assistant associate director for mobilization resources, said that he had not seen the study but that the underlying set of computer instructions, supplied to the agency in 1980 by a doned in 1984 after "a lot of criticism from other government departments that it was unrealistic."

Mr. Tsipis said the computer model had been tested extensively for accuracy at MIT. He said the model because its results conflicted with the government's public positions. Mr. Krueger vigorously denied this.

The 136-page study reached these conclusions:

The survivors, it said, would be • The economy would be unable to "shake off" the effects of an attack on petroleum supplies. At best the nation could regain about a third of its productivity over a quarter century.

 The Soviet Union would be no better off than the United States and could be more vulnerable to long-lasting effects from a nuclear attack because its petroleum industry is more concentrated.

• The superpowers could achieve the goal of deterring at-tacks with drastically fewer nuclear

• President Ronald Reagan's plan for a defense against enemy missiles might not protect the nation from lasting economic collapse even if the defense prevented 99 percent of incoming warheads from reaching their targets.

Civil defense measures would



ène Habré at a news conference after talks with President Ronald Reagan

#### Habré Warns of Further Threats

forces in March by Mr. Habré's lighters was at the top of the

agenda of White House talks Fri-

day, as the Chadian president

WASHINGTON - Presi-

dent Ronald Reagan has hailed Chad's defeat of what he called "outlaw" Libyan forces, but he and President Hissène Habré have warned that Chad still faces

began a five-day official visit to Washington. After their talks, Mr. Reagan pledged to continue "an appro-priate level of security assis-Libya's intervention in northern Chad and the defeat of its tance" to Chad. "Unfortunately,

Chad and neighboring countries must remain vigilant against new threats," he said, "but Chad now knows it can count on its friends.

Mr. Habré said Chad "must pursue its fight in order to put to an end once and for all encros ments upon our freedom and in

## In Australia, Hawke Mutes Nuclear Issue

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By Keith B. Richburg hington Past Service SYDNEY — Three years ago,

when Australia held its last national elections, U.S. security interests in this part of the world seemed increasingly under siege by a highly visible anti-nuclear movement. Today, Australia once again is in

the midst of a national election, but the worst fears of U.S. officials have yet to be realized. Under the leadership of Prime

Minister Bob Hawke, a blunt, former union leader with a mastery for maintaining the political middle

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policy platform.

"There's no doubt there's been a swing to the right," said Peter Jones, a research aide to the Nuclear Disarmament Party's only elected member of Parliament.

After its peak during the 1984 campaign, he said, the anti-nuclear lobby "hasn't had any impact on the Australian public."

This year, the anti-nuclear issue has raised barely a whisper. The ground, Australia's Labor govern- which drew about 500,000 primary defense treaty.

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990

280

230

ment has proven itself more interested in staying in power than in promoting a more idealistic foreign exists.

Secretary of State George P. Shultz and Defense Secretary Caspar W. Weinberger are in Austra-The anti-nuclear policies of the lia for an annual series of meetings

> try's relations with the United begin Monday. In August 1986, after Prime cordial because relations between Minister David Lange of New Zealand pressed ahead with his party's promise to prohibit port calls by

auclear-armed and nuclearpowered ships, the United States ground. Auti-nuclear activists say they has raised barely a whisper. The suspended its military obligations Auti-nuclear activists say they Nuclear Disarmament Party, to New Zealand under the ANZUS now recognize that Australians

> the United States. The decline of the anti-nuclear Extradition Plan movement in Australia is due largely to the deft political maneuvering of Mr. Hawke, who has managed to defuse the issue. Through some positions, Mr. Hawke has kept his merican allies happy and his anti-

nuclear credentials intact. He has held steadfastly to his paper said Sunday. Paper said Sunday. Welt am Sountag said that Mr. Engelhard did not favor the extraposition against Australia ever ac-He is the most outspoken critic in the region of French nuclear testing in the Pacific. And he has led the charge for declaring the South Pacific a nuclear-free zone.

When the Reagan administra-tion offended Australia twice in 1986 with decisions to subsidize U.S. wheat sales to the Soviet Union and to sell surplus sugar to China, Mr. Hawke protested vigor-ously. But he resisted calls from some farmers' groups, who wanted to link American trade practices to the continued presence of U.S. mil-

As a result of pulling his party to the right, both on foreign policy and economic issues, Mr. Hawke has angered and alienated Labor's once-dominant - but now insignificant --- left wing.

that Mr. Hawke largely has coopted the conservative opposition, positioning himself to become the first Labor prime minister to win a the Berlin Wall to West Berlin, pothird consecutive term. The elec-lice said. The youths scaled the wall tions are scheduled for July 11. and crossed a prohibited zone

■ Hughes Record Falls Labor government in New Zealand on defense and foreign policy is-caused a deterioration of that coun-

flight in a propeller-driven sircraft, The meetings are likely to be Renters reported from Paris.

The Spirit of J and B, piloted by three Frenchmen and a Canadian landed at the Paris Air Show after the Labor government in Canberra circling the Earth in 88 hours and have remained on firm and friendly 48 minutes. In 1938, Hughes established a record of 91 hours, 17 min-

utes and 10 seconds. overwhelmingly support the security relationship with the United States. According to a poll by the Morgan Research Center, 75 per-**Bonn Minister** cent of Australians favored main-Is Said to Oppose taining the defense alliance with

careful backpedaling on his party's ed to oppose extraditing to the United States a suspect in the 1985 flight to Beirut, a Hamburg news-

Chirac Says

France Will

**Build Own** 

Warplane

By Edward Cody

PARIS - Prime Minister Jac

ques Chirac has declared that

France will develop and produce its

own advanced warplane, the Ra-

fale, to equip its air force and navy

by 1996.
Mr. Chirac's announcement Sat-

urday at the Paris Air Show ap-

peared to lay to rest doubts in the Defense Ministry about the \$30-

billion Rafale project, a delta-

Marcel Dassault-Bregnet Aviation

reduce cost and when political

integrate European defense pro-

Britain, West Germany, Italy

In a bow to European unity,

however, Mr. Chirac arged cooper-ation in joint development of elec-

replace the Etendard, Super-Eten-

dard, Crusader, Jaguar and, later,

France's navy, however, has in-sisted that its Crusader fighters

must be replaced by 1993 because

of their age and extra stress from

aircraft-carrier takeoffs and land-

A four-member team flying a

Lockbeed 18 Sunday broke a 49-

year-old record set by Howard

Hughes, the U.S. billionaire who died in 1976, for a round-the-world

the Mirage into the next century.

airplanes.

and Spain have agreed to jointly develop an advanced fighter.

company.
The French decision mes

igion Post Service

dition of Mohammed Ali Hamadeh, a Lebanese who was arrested Jan. 13 at the Frankfurt airport. The newspaper gave no sources for its report. Mr. Hamadeh is wanted in the

and air piracy in connection with the hijacking and the murder of a passenger, Robert Stethem, a U.S. Navy diver. West German officials have been hesitant to approve the extradition out of concern for the lives of two

West Germans being held hostage in Beirut. Their captors have demanded Mr. Hamadeh's freedom. Mr. Engelhard's opinion is expected to be influential as the cabi- holidays: net decides the matter Wednesday.

But political analysts here say 2 Flee From East Germany

BERLIN - Two young East

Pindling Wins 6th Term in Bahamas

NASSAU, Bahamas (Reuters) — Prime Minister Lynden O. Pindling has won a sixth term in the first general election here since a drug scandal

hit his Progressive Liberal Party. The state run Radio Bahamas said the results of Friday's voting showed the party had captured 29 seats of the 49 seats in the House of Assembly, giving Mr. Pindling another five-year term. The opposition Free National Movement, which had confronted Mr. Pindling's party with its toughest challenge in two decades, took 13 seats. Five seats remained undecided

Deputy Prime Minister Clement Maynard declared victory for the Progressive Liberal Party, saying the voters had soundly repudiated opposition charges of corruption by the governing party. A commission of inquiry reported in 1984 that drug money had tainted Bahamian society, finding its way into the pockets of Mr. Pindling's cabinet ministers and close associates, although the panel exonerated Mr. Pin-

#### Reagan Vetoes Curbs on Broadcasters winged multipurpose plane con-ceived by France's ailing Avions

WASHINGTON (AP) — President Reagan has vetoed legislation to make permanent the "Fairness Doctrine," the federal policy established in 1949 that requires broadcasting stations to present opposing views on

In doing so, Mr. Reagan sided with the Federal Communications, U.S. allies in Europe will be developing two competing warplanes in an era when defense experts in-Commission, which contended that the doctrine was constitutionally suspect, and radio and television broadcasters who complained that it infringed on their First Amendment rights and editorial freedom. creasingly have urged pooled aircraft research and production to

The doctrine was established by the Federal Communications Commission, but the commission has been studying the possibility of scrapping it, and a U.S. appeals court ruled in 1986 that it was not a law and could be repealed by the FCC. leaders have called for new steps to

#### Soviet Hints at Releasing Pilot Soon :

BONN (AP) — Mathias Rust could be released from a Soviet could be released from a Soviet prison by early July, but first he needs to be clearer about why he flew a small plane from Helsinki to Moscow's Red Square on May 28, a Soviet official told Radio Luxemtronic components for both of the Defense Minister Andre Girand said France's needs for the Rafale would reach at least 330 aircraft to

bourg on Sunday. Valentin Falin, head of the Novosti news agency, said he could not rule out the possibility that Mr. Rust, 19, will be allowed to return to his home in West Germany by July 6, when the West German president, Richard von Weizsäcker.

visits Moscow. Mr. Falin said that Mr. Rust ings. The date is three years ahead of the Rafale's schedule for enter-"makes various statements, unfortunately, and that doesn't make the Some Defense Ministry officials have suggested buying U.S. F-18 aircraft for the navy until a naval version of the Rafale can be pro-



**Mathias Rust** 

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situation any easier." He continued: "I would like to hope that his return will be possible. It doesn't just depend on the Soviet side but above all on Rust himself and several accompanying circumstances."

#### Panama Extends State of Emergency

PANAMA CITY (Reuters) - Panama's National Assembly has approved a presidential decree ordering an indefinite extension of the

The decree issued Saturday claimed that the extension was necessary as a consequence of systematic calls to sedition and civil disobedien Anti-government protesters called last week for the removal of General Manuel Antonio Noriega, Panama's military chief and de facto ruler.

#### Shultz Assails Remarks by Rogers

SYDNEY (WP) - The U.S. secretary of state, George P. Shultz, has labeled as "entirely incorrect" and "ridiculous" the recent statements by General Bernard W. Rogers, the outgoing military commander of NATO, that criticized the Reagan administration as rushing toward an arms control agreement with the Soviet Union.

Mr. Shultz was reacting Sunday to comments published in The Washington Post in which General Rogers accused the administration of pressuring Western Europe to put aside its reservations about an accord

Speaking with reporters en route from Singapore, Mr. Shultz called the NATO military commander "a general with a lot of experience" whose adverse views might affect congressional reaction to any eventual arms accord on the removal of U.S. and Soviet medium-range missiles from HAMBURG - Justice Minister Europe. The general, Mr. Shultz said, was "way out of line" in making the Hans Arnold Engelhard has decid-remarks. The general's NATO command ends Friday.

#### TRAVEL UPDATE

Thousands of West German motorists returning from holidays in Italy were delayed over the weekend by road work leading to the Brenner pass route into Austria.

Two 747 lets were heavily damaged in a collision on the tarmac of Vienna's Schwechat airport on Sunday. The airport's tarmac is under

Trans-Affactic flights across Britain were back to normal on Sunday after the four-hour breakdown of an air traffic control computer on the western Scottish coast on Saturday, About 50 flights from Amsterdam, Brussels, Paris and London were affected.

The temporary loss of radar on Friday in an area from New England to the Great Lakes posed no hazard for air-travelers in the United States, a Federal Aviation Administration spokesman said. Air traffic controllers operated without radar for six minutes due to a computer outage. (UPI)

#### This Week's Holidays

Banking hours and government services will be closed or curtailed in the following countries this week because of national and religious

MONDAY: Colombia, Venezuela, South Yemen. TUESDAY: Luxembourg, Norway. WEDNESDAY: Andorra, Macao, Peru, Ver

THURSDAY: Madagascar, Mozambique. FRIDAY: Madagascar, Somalia SATURDAY: Djibouti. SUNDAY: Djibonti.

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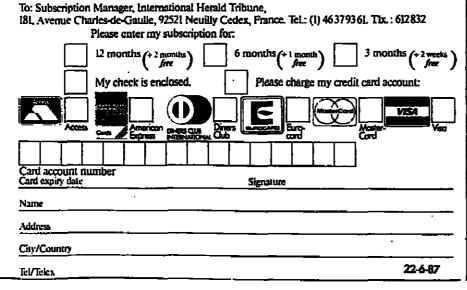
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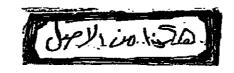












By Clyde H. Farnsworth

New York Times Service WASHINGTON — The U.S.

Congress is considering legislation

that would deeply affect both the

future course of trade policy and

two basic economic facts of life:

**NEWS ANALYSIS** 

consider the most protectionist cli-

Although they use different for-

mulas, the two pieces of legislation

that these barriers must be elimi-

anxiety and increasing resentment.

ments to the United States.

dential veto.

The Senate is expected to take up

iobs and the cost of living.

### North Faces Deadline to Give Papers To Congress

By Walter Pincus and Dan Morgan Washington Post Service
WASHINGTON — Congress

nal investigators have ordered Lieutenant Colonel Oliver L. North to deliver documents, inchiding personal notebooks, relat-ing to his activities in the Irancontra operations by Tuesday morning or face a possible criminal charge of contempt of Congress, sources have said.

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The subpoema represented a new step in a sharpening legal skirmish that will determine whether Colonel North ever testifies in public before the Very testifies in public before the House and Senate select committees looking into the Irancontra affair.

The dismissed National Security Council aide is a central figure in the affair. The latest subpoena was said to have been delivered Thursday to Colonel North's attorney, Brendan V. Sollivan Jr.

The skirmishing began Wednes-day when Mr. Sullivan informed committee lawyers that Colone North, a marine, would not comply with an initial subpoena to report eited concerns over legal "due pro-

At a meeting Thursday night and is less broad than the earlier with Mr. Sullivan, the chief courrequest. sels for the Senate and House panes, Arthur L. Liman and John W. Nields Jr., offered a compromise aimed at meeting some of Mr. Sul-ivan's concerns, but they failed to fied last week that she saw in Mr. resolve their differences, sources Sullivan's office on Nov. 28.

. On Friday, the Senate select his daily activities in similar notecommittee heard Mr. Liman's re- books. port and ruled out further compro-

The two committees earlier had voted to compel Coloniel North's that his actions are more than de-

Sullivan argued that the initial sub- der a grant of immunity, outweigh poena for documents was too the had publicity and penalties if broad and that the committees informal, closed depositions exposed tempt of Congress.

U.S. Business Schools

Pull More Foreigners

Japanese middle managers

along with a growing number of

other foreign students, are flocking to graduate business schools in the United States "in

pursuit of the ultimate Ameri-

can business credential, an

MBA," or master of business

administration degree, The

their presence here," notes The

Post, "because America's cor-

porate management techniques

are hardly the envy of the in-

dustrialized world. But Ameri-

provides membership in the ex-

clusive MBA club and a way to

gain quick insight into Ameri-

can culture, consumer psychol-ogy and buying habits." Charles 'Hickman of the

American Assembly of Colle-giate Schools of Business said

foreigners "often don't come

for what is raught in class but to

make the connections and to

"There is no small irony in

Washington Post reports.



Oliver North leaving home, followed by a family dog.

his client to risks not covered by the

answer Thesday called only for for a witness found to have lied "relevant" materials, a source said, under oath.

The two committee staffs are particularly eager to obtain 10 spiral notebooks that Colonel North's

She said Colonel North wrote up

Some committee lawyers say Mr. Sullivan has no intention of allowing Colonel North to testify and testimony under a grant of limited laying tactics. They said Mr. Sulli-immunity from prosecution. laying tactics. They said Mr. Sulli-wan may have decided that the risks On Wednesday, however, Mr. of his client's appearing, even un-

disease, compared with 79 per-

Restaurateurs in Beverly

Hills, California, are getting around a ban on smoking in

their establishments that took

effect two months ago by rede-

fining large sections as bar ar-eas. The law prohibits smoking

in all restaurants except those

in hotels. It also exempts bars

that serve food. Some restan-

rants now allow smoking in all

sections because the bar is in

the middle of the dining room.

"We don't know quite what to

do about it," said Mayor Benja-

min Stansbury Jr. "My attitude

city attorney is looking into

The U.S. Senate has changed

very little in the year since its

proceedings began being tele-vised, The Washington Post re-

ports. The finding confounds predictions that TV coverage would lead to grandstanding, or that it would make the Senate

ther conned nor dazzled the

American people," said Robert C. Byrd, Democrat of West Vir-

**Notes About People** 

ginia, the majority leader.

one of dismay." He said the

One risk of testifying is perjury, for preliminary questioning in private the next day or provide requested documents. Mr. Sullivan
that Colonel North is required to
Immunity statute.

the most common charge brought
against witnesses with immunity.
Immunity gives no legal protection

> The two committees have set an early August deadline for finishing public hearings. One prominent Washington criminal lawyer suggested that Mr. Sullivan may want to delay Colonel North's appear ance long enough so that any criminal indicament obtained by the independent counsel. Lawrence E. Walsh, would have already been

Once indicted, this lawyer said, Colonel North would have a strong argument that public testimony would get so much publicity that no jury could be found that could give him a fair trial.

Mr. Walsh has said he sees no reason to seek indictments before the committees end their hearings positive for the AIDS virus.

#### Angola Is Likely To Free U.S. Pilot **Held for Spying**

WASHINGTON — Angola is expected to release a captured American pilot in the next few days in an effort to help establish diplo-

matic relations with the United

States, according to the Reverend Jesse L. Jackson and congressional The pilot, Joseph Longo of Greensburg, Pennsylvania, was shot down April 21 in a light air-

cy said at the time. The U.S. State Department said that Mr. Longo was ferrying a to appoint an advisory body on plane owned by an American company to South Africa and denied

U.S. government employee. Mr. Jackson and several members of Congress had urged a high-level Angolan delegation visiting the United States to release Mr. Turkey Reports Longo as a goodwill gesture.

■ 48 Soldiers Killed

racks in northern Angola on Thurs- reported Sunday. day, Agence France-Presse reported from Lisbon.

New Army Chief for Maputo

United Press International LISBON — General Antonio P.M. Saturday night and used Hama Thai has been named head megaphones to order people to a of the Mozambican armed forces central square. They then raked the by President Joaquim Chissano as area with automatic weapon fire part of a major military reshuffle in and attacked three homes where Maputo, the Portuguese news agency Lusa reported Sunday.

able and uncontrollable chain of events." Sir Roy Denman, head of the Washington delegation of the Commission of the European Com-

munity, observed, "Unfair trade practices generally turn out to be what the other fellow does — never what one does oneself." For two consecutive years, the

mate since the 1930s, although few community has published lists of ferring to call for "fair trade."

Both that bill and the one the what it considers to be unfair trade barriers on the U.S. side. Its latest House passed in April are aimed at report, in April, cited more than 30 opening foreign markets to more chemicals, food, computers and Only last week a panel of the

General Agreement on Tarilis and Trade, which governs most world trade, reinforced the commission's would also close U.S. markets to assessment of a U.S. tax on petroleum that goes to the "Superfund" toxic waste cleanup program. The Superfund tax is higher for import-ed than for domestic oil. The panel found the tax to be a violation of the GATT free trade charter and called on the Reagan administration to make changes.

matic mechanisms should be in place to block the countries' shipfused and ambivalent. That is be-That last idea, if enacted, is alcause trade cuts across jobs and the most certain to touch off a presi-Other countries are expressing

cost of living in conflicting ways.

Opinion polls show that when people think their economic security is threatened by imports, they "Is Congress leveling the playing field or bringing down the stadium the other hand, when they are reroof?" asked Allan E. Gotlieb, the minded that protectionism means field or bringing down the stadium the other hand, when they are remarket-distorting practices." The Donald W. Riegle Ir., a Michigan month. "There is a chance of pick-roof?" asked Allan E. Gotlieb, the minded that protectionism means bill requires the administration to Democrat, would require the ading the best of both and putting Canadian ambassador. Recalling higher prices and limits on their identify countries that practice ministration to estimate how much them together."

the foreign retaliation against the choice of consumer goods, they protectionist Smoot-Hawley Tariff come down more for free trade. Act of 1930, which helped trigger Nine Senate committees have trade and sets forth proce- of a country's surplus with the dures to eliminate it through nego- United States reflects trade barriers. put together a mammoth piece of cifically named as a target of this the Depression, he said, "Enactlegislation with hundreds of proviment of some of the current proposals would unleash an unpredictsions, although the Reagan admin-

istration - which last week issued

a 30-page list of "objectionable" nate a president's ability to consid- States would impose import restricprovisions - wants the Senate to er national economic or foreign- tions.

When people think economic security is threatened, they react in a protectionist fashion. Reminded that protectionism means higher prices and limits on choice, they come down more for free trade.

consider just one of the bills, produced by the Finance Committee, as the main trade measure.

In any case, scores of amendments are expected to be introduced on the Senate floor. The more hotly debated provisions in-

• Unfair trade. The administration would identify foreign trade barriers that are "unjustifiable," "unreasonable" or "discriminatory." If the offending countries did not stop the practices, the Unit-Most analysts say the public's ed States would retaliate. Denial of perception of trade issues is con-"worker rights" or adoption of "export targeting," a government plan of coordinated action to benefit exporters, would be among causes for retaliation.

· Adversarial trade. A new concept in trade law, it is defined as a "consistent pattern of barriers and

policy interests when an industry is petitioning for protection against

an inundation of imports. Under present law, the U.S. In-ternational Trade Commission, a tion would doubtless be vetoed. federal fact-finding agency, makes sion's recommendation would become mandatory.

would be required to retaliate ence. against trading partners that have pluses are reduced by fixed amounts every year. such a way as to The House has already passed able legislation.

such an amendment, proposed by a

If the country failed to increase its imports from the United States • Presidential discretion. The by one-third of that amount for Senate bill would virtually elimi- each of three years, the United

> Dumping. Laws already on the books establish mechanisms for imposing import duties to offset the advantage gained by foreign countries that subsidize exports or that sell products in the United States at less than fair value. Both the House and Senate bills would make it easier for companies to invoke these laws and get higher protective duties.

> The Reagan administration has taken strong exception to the Sen-ate bill, as it did to that of the

But some analysts say they be a recommendation that the presi-dent can accept, modify or reject. up being only mildly protectionist. up being only mildly protectionist. That is what occurred with the Trade Act of 1984. Both chambers Surpluses. The United States that were neutralized in confer-

Clayton K. Yeutter, the U.S. large trade surpluses unless the sur-trade representative, said it was possible to combine the two bills in such a way as to produce accept-

"Where we are troubled by the Democratic presidential aspirant, Senate bill, the House bill is much Representative Richard A. Gepmore acceptable to us," and vice hardt of Missouri. The Senate ver- versa, he said at a U.S. Chamber of sion, to be introduced by Senator Commerce meeting earlier this

# AMA Committee Rejects U.S. Call

WASHINGTON - In its first attempt to influence public policy on containing the AIDS epidemic, the American Medical Association has issued a report rejecting wide use of mandatory testing and calling for tough new laws to protect the civil liberties of those who test

cal group's board of trustees and gates will vote on this week. issued Saturday, urges that a national policy on confronting the disease, acquired immune deficiency syndrome, be devised immedi-

It noted that the epidemic "is now more than six years old and the growing magnitude of the problem has been apparent for nearly

Reagan administration to spend \$1 billion to fight AIDS in 1988 "will not be enough." It endorsed legislation introduced by Representative Henry A. Waxman, Democrat of California, to increase resources for

# that Mr. Longo had ever been a Insurgents Kill 31

ANKARA — Kurdish rebels The National Union for the To-tal Independence of Angola claimed to have killed 48 soldiers in their bloodiest attack in a three-year guernilla war for autonoclaimed to have killed 48 soldiers in three-year guerrilla war for autonomy attack on a government barmy, the Anatolian News Agency

> eastern Turkish village of Pinarcik, near Mardin close to the Syrian

The report said the insurger

# For Broad Mandatory AIDS Testing

By Michael Specter

The board said that plans by the

# In Attack on Town,

moved into the village about 10 some villagers had taken refuge, the

Washington Post Service

The report, written by the medi-

that long."

voluntary testing and counseling. The strong position taken by the American Medical Association, the largest and most powerful medical craft over southern Angola. He was suspected of spying for South Afri-itly challenges the direction of the ca, the official Angolan news agen- Reagan administration's policy on

AIDS. While the administration plans

The attack occurred in the south-

# AIDS, the medical organization

wants to establish a commission

with strong powers to develop a national policy and help implement "If there is any real criticism of our system, it is simply that we have not devoted the necessary resources to fight this disease," said Dr. Lonnie Bristow, a board memwho helped draft the policy,

> A White House spokesman, Dan Howard, said administration officials had not yet seen the report, and he declined to comment. Earlier this month, in his first

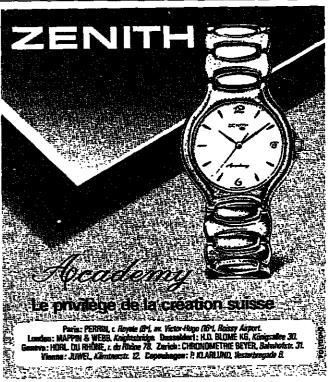
> major speech on AIDS, President Ronald Reagan called on the states to institute routine AIDS testing for marriage license applicants, jail immates and those seeking treatment for drug abuse or sexually

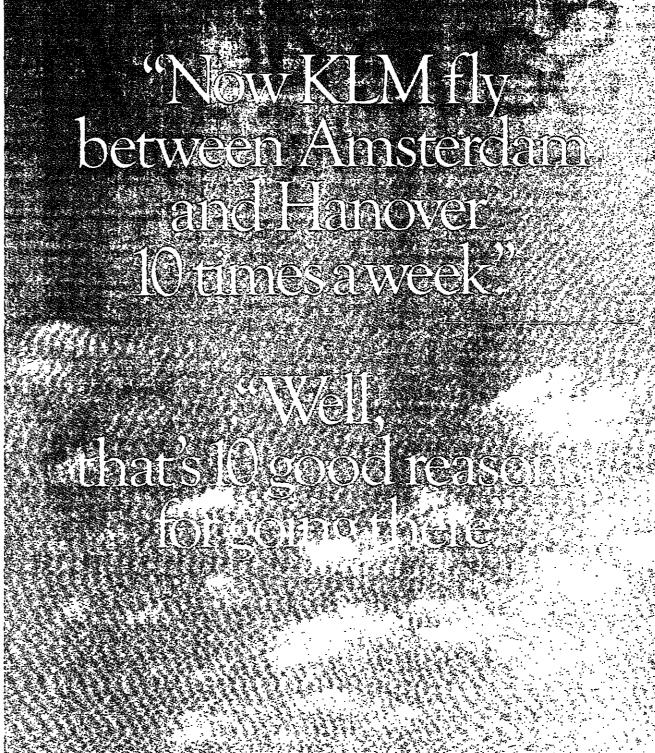
sociation trustees recommended mandatory AIDS testing of prisoners, immigrants and the military, as well as for blood and organ donors, they stopped short of adopting oth-er administration goals.

Although the trustees emphasized that "mandatory national testing, at present should not be broadly extended," they called for which the group's House of Deleroutine voluntary testing at clinics for treatment of drug abuse and sexually transmitted diseases.

Such testing, they added, should be performed only with the informed consent of the subject, who would have the right to refuse.

The report also seeks a much wider education program, for both the public and health-care professionals. It urges that more money be spent on counseling for those who test positive and on training





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г	FROM/TO	DAY	MONDA FRII	
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#### learn the culture." more orderly and efficient. At the University of Virginia, Oporum calls — a drawn-out graduate business applicants numbered 419 from 55 counform of taking attendance have been cut by more than half, but that is about the only tries this year, compared with 98 two years ago. The story is similar at Harvard, Dartmouth, substantial change. The time spent on making speeches has been relatively constant. The Senate on television "has nei-

**AMERICAN TOPICS** 

Tulane and the University of Takashi Shigemori of Sunaitomo, Japan, is typical. He is 28, and his company is paying him not only \$50,000 to meet the costs of completing the MRA program at the Universi-ty of Virginia but his salary as

The colleges welcome foreign students. "We want them for the sake of our American students," said Leslie Grayson of the University of Virginia. "It may be the only chance a nice Protestant preppy can find out what makes a guy like Shige-

#### Short Takes

A New York City official responsible for exposing tax cheats was dismissed after pleading guilty to failing to file his state and city income tax returns for 1984 and 1985. The official, Leroy Frazer Jr., 32, less his \$54.000 as were job as lost his \$54,000-a-year job as assistant finance commissioner in charge of enforcement and faces a maximum one-year prison sentence and \$5,000 fine. on sentence and \$5,000 fine. His lawyer, however, said that federal, state and city taxes had regularly been withheld from Mr. Frazer's psychecks and that he might have been owed refunds from both years.

Shorter Takes: About 20 percent of doctors abuse drugs or cent of doctors abuse drugs or alcohol, according to the American Medical Association. This compares with 19 percent of the general population. 

Public awareness of alcoholism has increased since 1982, according to a Gallup Poll. It found that 37 percent of those surveyed this year agreed that alcoholism is a



Rudolph W. Ginliani

pect much of taxi drivers. So Radolph W. Giuliani, U.S. at-torney for the Southern District of New York, was flabbergast-ed after he arrived at Washing-ton National Airport to deliver a speech and tore his trousers on a protruding wire while get-ting into a taxi. The driver took him to a tailor, waited with him while repairs were made and then, masked, offered to pay the bill. "I'm going to take him back to New York with me and ask the mayor to make him cab

driver of the year," Mr. Giuliani -ARTHUR HIGHE

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#### What Next in the Gulf?

What now provokes intense concern in

Congress and the public is a more precise question: Should the United States go beyond this traditional role by putting American flags on 11 Kuwaiti tankers and defend them against Iranian attacks? The president, quick to describe the ships as Ameritral rationale that the navy is in the Gulf to can, says yes, of course. Members of Con-defend freedom of navigation. The point is gress say, not so fast; show us.

They are right, for the reflagging ques-tion uncovers the underlying issue. Reflagging would destroy all pretense of American neutrality in the Iran-Iraq war. The tilt toward Iraq might lead to direct hostilities between the United States and Iran, or at least drive an even deeper wedge between them for decades to come, perhaps even pushing Iran under the Soviet wing.

The enormity of these stakes compels caution. To make matters worse, the Reagan stration's recent performance and policy in the Gulf do not inspire confidence. Even Bob Dole, the Senate Republican leader, feels compelled to say, "I don't think anyone knows quite what the policy is." Sam Num, chairman of the Senate Armed Ser-

vices Committee, urges delay in reflagging.
Washington may well have to take further
action in the Gulf, especially since the administration has already pledged to reflag. It cannot simply renege and stand by and do nothing while Kuwait charters Soviet ships, as it has done. Predominance in the Gulf bears heavily on regional and global influence. It is entirely possible that a compelling case can be made for reflagging. But the burden of proof is on the administration.

In fairness to the administration, it is necessary to get events in the right order. What inflamed the public was the Iraqi attack on the USS Stark on May 17. But it was months earlier that Kuwait first approached Washington about reflagging. It was in March that the United States and Kuwait

What should the United States do next in the Gulf? U.S. warships have been there for tankers, after Moscow had permitted Kuwait 40 years to protect American shipping and to charter three Soviet vessels. And it was in to give visible expression to extensive March that U.S. intelligence spotted Iran American interests. None of that is at issue. starting deployment of Chinese-made missiles near the Strait of Hormuz.

The administration accepted those risks at the time. Congress and the public took no exception. Only after the attack on the Stark did people notice, and question.

So the administration dusted off the neutral rationale that the navy is in the Gulf to not very persuasive. Iraq, not Iran, started the Gulf war. Iraq, not Iran, began striking oil tankers in 1984. Iraq attacks more than twice as many ships as Iran. Does the administration propose defending Iranian shipping on behalf of principle?

It was not free navigation but the Iran-Iraq war that impelled the administration to consider extending the navy's protection to Kuwait. That oil-rich sheikhdom helps to finance iraq against Iran.

The clear danger to regional stability, far more than attacks on shipping, is Iranian fundamentalism. The United States has no warrant for warring on Iran. Iran has not attacked American ships. Indeed, the United States hopes for better relations with iran after Ayatollah Ruhollah Khomeini. These considerations all argue for caution.

To delay reflagging does not preclude making other arrangements with Kuwait or other Gulf states. Nor does it mean, as President Reagan contends, abdicating "our role as a naval power" or opening "opportunities for the Soviets to move into this chokepoint of the free world's oil flow." The United States will retain six frigates and destroyers in the area plus an aircraft carrier battle group. The Soviet

Union has no warships there. America has the military power in the region to put off reflagging until the Stark episode settles, U.S. interests are more clearly defined and the administration puts forward a policy worth taking risks for.

- THE NEW YORK TIMES

#### No Script for South Korea

The radical students who started the riots in South Korea are being joined by some older, middle-class people and cheered by still others. A government whose pride is order has lost control of the streets. The military shows signs of unease, with one faction growling for a harsher crackdown, perhaps martial law, while another explores a measure of relaxation and a return to the talks on presidential-election rules whose breaking off, by the government, triggered the crisis. A return would raise the question of whether the opposition would or could control the charging bands in the streets.

Caught unprepared, the United States struggles to retain a policy grip. It had hoped that President Chun Doo Hwan would guide South Korea to a peaceful transfer of power in February and that Seoul would reap the prestige of hosting the 1988 Summer Olympics. But Washington did not count on President Chun's rigidity or on the determination of the opposition. Now the administration must play catch-up: Mr. Reagan has written Mr. Chun advising moderation, and endorsed Representative Stephen Solarz's resolution calling for broader freedoms and the resumption of constitutional talks.

There is no text to guide a transition

South Korea, which has no firm democratic tradition and which has a treacherous neigh-bor, Communist-ruled North Korea, and the powerful armed forces to match. These cultural and circumstantial considerations have reinforced the caution of American policy makers in dealing with violence or revolu-tion; they fear decisive action for democratic change may offend nationalistic sensibilities or embolden the players to do the wrong thing. The Philippines, where the Reagan administration did help move events along. is cited as a relevant model. But the Philippines had a democratic strand in its past and no comparable security threat. Crucially, a plausible democratic leader came along and the army suddenly switched to her side.

There are, nonetheless, risks in the stated American policy of "restraint." South Korea is a place where the society, modernizing fast, has outgrown the state: It is readier for democracy than the generals are. It is also a place that hangs on every American word and on every American hesitation and silence, which some in the opposition exploit to blame Americans for the home-grown repression. The task before the United States is to make sure South Koreans understand it

#### **Fighting Italian Paralysis**

"Very complex and confusing," declared ain. Italy's proportional representation sys-former Prime Minister Bettino Craxi after tem, like that of Israel and other countries, the Italian election that his own Socialists came closest to winning. Winning, Italian nority party. The result: too many checks, style, means creeping up a few points in the compopular vote, from 11.4 percent to 14.3 percent in the Socialists' case. That only alition with smaller parties, because the shifts the balance within the ruling center coalition; nothing much was changed by the June 14 vote. Italy faces months of the

paralysis that the vote was meant to end. It is no crisis. Italians know how to muddle through. But the paralysis follows three effective years of a Craxi-led coalition, when the economy spurted and real reforms were enacted. This performance probably cannot be matched without basic electoral reform.

More-of-the-same voting is increasingly common in Europe. It has just happened in Democrats, threatening chronic paralysis. Britain and West Germany, where conservative governments were returned by much the same margins as before. But there is this difference. Though her party won only 43 percent of the vote, Prime Minister Margaret Thatcher holds a commanding majority. in the wider Atlantic alliance. That is because it is winner-take-all in Brit-

assures a quarrelsome handful to every mi-Communists (26.6 percent) are not trusted as partners. There are six tiny parties.

One remedy for Italy's paralysis is increased use of referendums to settle what Parliament cannot; the Greens now urge a plebiscite on nuclear power. Another remedy is leadership of the kind Mr. Craxi provided in those prosperous years, in which terrorism declined and agreement was reached on deploying U.S. medium-range missiles. But his success stirred the resentment of Christian

It is time to consider a more fundamental remedy, which Mr. Craxi has proposed: Change the rules to inhibit tiny parties. Giving the center more space could bolster democracy - and Italy's useful voice with-

- THE NEW YORK TIMES.

#### Other Comment

A Longer Battle for Vietnam

Vietnam has been gradually shedding its oldest comrades, men who under Ho Chi Minh formed the century's most formidable sistance movement. Death claimed Le unemployment and a level of inflation more Duan, the Communist Party secretary-gener- associated with a Latin American banana ol. last July. Five months later, Truong Chinh, his successor; Premier Pham Van Dong; and Le Duc Tho, negotiator with Henry Kissinger of the Paris peace agree- Mr. Chinh suggests change will be slow. ment, resigned from the Politburo. However,

it was only Thursday that Mr. Dong was replaced as premier and Mr. Chinh as president. Unmatched on the battlefield, the old guard proved inept at running a peacetime economy. Today, Vietnam suffers from high republic than a Marxist state. These failings have been admitted by the new leadership. But the choice of successors to Mr. Dong and

- The Daily Telegraph (London).

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#### **OPINION**

## **Opportunity** For a Bridge Over the Gulf

By George W. Ball

D RINCETON, New Jersey — The doctrinaire view of foreign policy demonstrated by President Reagan's reaction to recent events in the Middle East reflects his strange compulsion to express all regional quarrels in the bellicose idiom of the East-West struggle. That practice is anything but useful. Not only does it obstruct progress toward a settlement of the Middle East's complex problems, but it denies us the opportunity to explore some potentially produc-tive approaches to the Soviet Union that evolving realities now make possible.

The administration's Middle East machina-

tions have been not merely Byzantine but inept. When, in spite of pious denials and evasions, the White House was caught arming Iran, that dislosure provoked mistrust in every Arab capital. Such mistrust was felt with particular intensity in tiny Kuwait, which, caught in the middle of the Iran-Iraq "tanker war," approached the U.S. Coast Guard in January with a request to trans-

Then, a month later, only after the coast guard had ignored that request with bureaucratic indifference, Kuwait asked Moscow to place the Soviet flag on Kuwaiti tankers. Moscow professe unfamiliarity with the practice of "reflagging," but it did lease three tankers to Kuwait and agreed to provide them with small armed escorts.
Oddly, the White House took little notice of these events until after the Iraqi attack on the U.S. frigate Stark on May 17. Immediately the presi-

dent, without consultation with Congress or any adequate military planning, amounced that the United States would transfer its flag to 11 Kuwaiti tankers and provide them with armed escorts.

Once more ideology had prevailed over logic.

Though Iraq attacked the Stark and Iraq had perpetrated two-thirds of all the harassment inciperpetrated two-lunds of all the narassment inci-dents against Gulf shipping, the president dramati-cally proclaimed that he was taking this step so that the use of vital Gulf sea lanes "will not be dictated by the Iranians." He added, as if by

reflex, that "these lanes will not be permitted to come under the control of the Soviet Union." So while abruptly renouncing America's neu-trality in the Iran-Iraq war and allying the United States with Iraq, the president seemed compelled to sing his old hymn of hate for Moscow. Yet, in his anxiety to bluster the Soviet Union into keeping out of the Gulf, he utterly failed to explain how it could possibly contrive to "control" the Gulf sea

lanes merely by escorting three tankers. His shrill warning sounded even more off-key when the Soviet first deputy foreign minister, Yuli Vorontsov, stated reassuringly that, regardless of Washington's plan to build up its Gulf fleet, the Kremin had no intention of augmenting its city three this fleet. No did the president ing its tiny three-ship flotilla. Nor did the presi-dent even acknowledge Mr. Vorontsov's addi-tional statement that his country was eager to consult with America on halting the Gulf war.

WASHINGTON — Since World War II, half of the eight U.S.

presidents have come up from the vice presidency, and two other vice

presidents have won presidential

nominations. Yet there is something

quite cavalier about the way running mates are selected. The last time the public had a say was in 1956, when

Adiai Stevenson allowed the Demo-

cratic delegates to decide the matter.

from monumental mediocrities like

Millard Fillmore to Mount Rushmore

types like Theodore Roosevelt. In 1972, the nominees of both parties made critical mistakes in picking run-

ning mates. George McGovern's cam-

paign self-destructed when the elector-ate learned that his first choice,

Senator Thomas Eagleton of Missouri, had undergone psychiatric treatment. The winner, Richard Nixon, was even-

mally no luckier; Spiro T. Agnew was

Originally, the office was awarded

forced to resign as vice president in peal to women voters.

1973 after a tax fraud indictment. The logical way to a



Mr. Reagan's negativism seems particularly wrong-headed since Moscow and Washington have a common objective in the Gulf. Both wish to promote tranquillity there and both are antagousts of revolutionary Iran. Each nation knows that the triumph of the Khomeini regime over Iraq would present it with major policy problems. Iranian Shiite fundamentalism is already creat-

ing unrest in Moslem-inhabited Central Asian oblics of the Soviet Union, while Iran's aid to the Afghan rebels is galling to a Kremlin that desperately wants out of the Afghan imbrogilo. For its part, America would suffer serious dam-

Moscow and Washington should work together for a resolution of the Gulf war, then turn their attention to other regional problems.

age were an Iranian victory to unleash fundamen-talist forces that might overthrow friendly Arab governments. And were the iranians to ga trol of practically all of the Gulf's oil, the Khomeini regime could exert leverage on Japan, Europe and the United States. In view of Iran's hatred for Israel and its big brother, America, it might even bring to the side of the rejectionist Arab states vast numbers of veteran troops that could tip the balance and ultimately force the United States to intervene with its own armed forces.

To forge a wise policy, the administration must frankly answer at least two questions. Does it make sense for the United States to try to maintain an exclusive sphere of influence in the Middle East! Should American lives be risked to pursue that dubious goal, or would the United States not be better advised to seize this rare chance to engage the Soviet Union in a common effort to resolve some of the festering problems that make sleepless nights for each superpower?
The benefits of a mutual approach could be

The Office No One Runs for but Few Would Spurn

By Patrick Thomas

Court that the country's Founding Tilden was the Democratic candidate

then, nominees have normally exer-cised autocratic power and most of-ten selected someone to woo a specif-ic group. Geraldine Ferraro's Senate minority leader. Howard Bak-

nomination, for instance, was a clas- er, the former Senate leader and pre-

sic case of political symbolism to ap- sent White House chief of staff, is

Presidential nominees usually ig-

nore their serious primary rivals, often

at the expense of their own chances. A

Jimmy Carter-Edward Kennedy slate

in 1980 or a Gerald Ford-Ronald Rea-

gan team in 1976 could conceivably have changed the outcomes. Yet per-

sonality conflicts precinded practical-ity. Now, it is almost picking time for

On the Republican side, we know

at least who is not likely; George

Bush can hardly relish the idea of

being history's first 12-year vice pres-

ident. Senator Bob Dole of Kansas

overqualified. Two serious contend-

ers could be Paul Laxait, the retired

Nevada senator who is a close friend

next year's No. 2 nominees.

significant, provided the administration revised its attitude and thetoric. Mr. Reagan is still concentrating on rendering micket weapons "impotent and obsolete" while doggedly playing the 19th century "great game" of trying to ber the door of the Middle East against Russia. He is ignoring the mee to exploit the nuclear balance of terror that has for 40 years deterred the superpowers from drifting into a new world conflict.

One may speculate that by breaking the war cycle that has for millennia cursed humanity with two or three major wars a century the nuclear stalemate offers the first and best chance for a cautious East-West collaboration in key areas

where the superpowers share objectives.

That proposition should be tested, and the istence of common interests in the Gulf offers a chance to test it with a minimum of risk. That is not to imply that the Kreznlin will totally change its habits; no doubt, whenever its financial re-sources and internal difficulties permit, it will still seek targets of opportunity abroad.
But if the United States takes preventive mea-

sures to deal with the conditions that provide those opportunities and create those targets, instead of relying solely on force and military power to deal with them after the fact, the Soviet Union might be denied significant gains. Having combined our leverage to seek com-

mon immunity for our shipping and to fashion a resolution of the Iran-Iraq war, we might then turn our attention both to the Afghan war and the Arab-Israeli struggle.

The latter proposal requires the United States to recognize that, although the Soviet Union lacks the ability to impose peace in the Middle East, it can torpedo any proposals that the United States might make. Since there is a growing danger that the rivalry of Syria and Israel could ultimately lead to a confrontation between their superpower patrons, the occasion of the projected Middle East peace conference might be used to work out a common policy with the Soviet Union and the West European nations.

The writer was undersecretary of state in the Kennedy and Johnson administrations. He contrib-uted this comment to The New York Times.

libel suit and Mr. Kemp so far dem-

The Democrats have an embarrass-

of the black vote in the Southern

regional primaries in March. If Mr.

Jackson's secret ambition is to be the

first black vice presidential nominee,

son tides have menaced the party

mainstream. For six weeks, Demo-

crats walked on cats' paws, until the

impetnous Delaware senator. Joe Ri-

right in 1968 and also unacceptable.

candidacy after the convention.

hope for. In practice, it is an opportu-

Not since 1920 has America seen a

race so up for grabs. That year, Republicans took 10 ballots to settle on

Mr. Wallace was a spoiler; his

the Democrats could be in trouble. Since Gary Hart dropped out, Jack-

onstrates no broad appeal.

#### John Paul: 'The Great Confronter?

By Jim Hoagland

PARIS — The protests about Pope John Paul II receiving Kurt Waldheim at the Vatican this week miss the point. As a religious leader, the pope-turns no sinner away. As a political leader, this pope has rightly made it his duty to confront rather than shun those with whom he disagrees, from General Pinochet of Chile to General Januzelski of Poland.

In an era when Ronald Reagan and Mikhail Gorbachev are styled as the Great Communicators, John Paul is the Great Confronter. He wants to illuminate an international moral order as an alternative to the corrupting political structures of the temporal world. The pope does not allow those who try to find legitimacy by meeting him to get away unscathed, as Mr. Waldheim will discover.

The protests demonstrate another important reality about the pope.

Most of us tend to focus on this remarkably multifaceted pontiff through the one or two prisms that matter most to us at the time, and fail to grasp the integrated, long-term po-litical and ethical vision of a man who will mark the closing years of the 20th century as much as any other leader

we can identify today.

If we disagree with him on birth control or his tough rejection of the Sandinists, he comes on like a Roman Catholic ayatoliah. If we do not like his message on redistributing wealth or oppose having his cardinals chal-lenge pro-Western military regimes, he is a meddling do-gooder.

The sense that there is a broader pattern in all this has been growing for me since a trip through Asia last year provided a chance to listen in the same week to Cardinal Stephen Kim in Seoul and Cardinal Jame Sin in Manila. They described in detail the moral collapse of the clites roling their nations and the church's refusal to collaborate in the efforts of those elites

to keep power through repression.

The differences between the two prelates, and between their societies, re greater than the similarities. But John Paul's determination to have his church be the alternative moral authority to government in societies swept up in social upheaval was clearly enunciated by both men.

In the Philippines, Cardinal Sin, acting with John Paul's encouragement, played the key role in mobilizing "people power" to depose the Marcoses. We may be witnessing a similar process at work right now in South Korea and in Panama. And the pope's trips to his native Poland, in-cluding the one he concluded early last week, have fundamentally re-

shaped politics in Eastern Europe. Despite open displays of disapproval by General Jamzelski and the cruiet discomfort of the more conservistive and accommodation-minded national church hierarchy, John Paul ment of potential riches; all the presidential candidates seem suitable for publicly celebrated the regime's failsecond place. But with a large field of ure to break the moral authority of presidential candidates, what is worrying Democrats most is a vision of a truly open convention, with no canditude the courage and intellectual open convention, with no canditude the courage and intellectual honesty that have kept Solidarity date coming to Atlanta with more from being bought off or intimidated than 35 percent of the delegate votes. out of existence. And he refused to ment proposals made by Mr. Gorba-chev and General Jaruzelski. could be the Reverend Jesse Jackson, who could take as much as 90 percent

The pope's persistent and patient chipping away at the evils of Com-munist rule in Poland stands in sharp contrast to the kind of rhetorical challenge that Mr. Reagan threw at Mr. Gorbachev in inviting him to apply the ultimate in transparency to the Berlin Wall by tearing it down. Some at the State Department counseled against the "tear down the wall" line as being too provocative at

den, said what the cautious had been afraid to say: Mr. Jackson is unaccept-able as a running mate. The problem is not that he is black but that he is a That objection misses the point. radical of the left — as surely as

The White House continues to George Wallace was a radical of the look for dramatic gestures to show The White House continues to that there is still life in the adminis-

tration, rather than developing a seri-American Independent Party took 13 ous analysis of how to deal with the percent of the vote and probably Soviets in the years to come.

threw the race to Mr. Nixon: At the

The White House underscored this core of Mr. Jackson's power is the in another way recently by sounding

threat of his mounting an independent out Zbigniew Brzezinski about beandidacy after the convention.

In theory, the vice presidency is

coming the next U.S. ambassador to Poland. Mr. Brzezinski, national senot so much an office you run for as curity adviser to Jimmy Carter and a red flag to the Russians, was not nity that you position yourself for. interested in discussing this bizarre "Tm running for president, not vice president"; that's what they all say. fessional, which it is now doing. History is likely to record the cha lenge to tear down the wall as a mean

ingless taunt, delivered as a grand ge ! ture that was not conceived as part da coherent policy. The Reagan admir istration, heading into a summit meding with a clever, manipulative Sove leader, continues to be unwilling: put in the kind of hard work a steady attention that John Paul votes to the same set of problems. The Washington Post.

The author, a political com-

Coolidge and Franklin Roosevell

## Glasnost: You Have to Read the Footnote

Fathers were not necessarily the last

In the 1800 election, Thomas Jef-ferson and Aaron Burr tied with 73

electoral votes each, and the race was

decided in the House of Representa-

tives where Alexander Hamilton

swung the decision to Jefferson. The

illuminated in 1804 when Vice Presi-

dent Burr killed Hamilton in a duel.

Just before the killing, in a climate of

rancor, the constitution was amended

to allow the presidential nominees to

name their own running mates. Since

The logical way to a running mate

would be to choose the runner-up

to the runner-up in the general elec-tion. A look at history adds weight to the argument put forth by Justice Thurgood Marshall of the Supreme would be a would be a

word on good government.

WASHINGTON - For a cou-W pie of years now, we of the press, including those of us who know some Russian, and lots of other people have been talking of ing glasmost one of the few Russian words that is presumed to be in the informed citizen's vocabulary.
It comes, then, as a rude but nec-

essary awakening to be told by a former American diplomat, Wil-liam H. Luers, in a footnote to his article on Eastern Europe in Foreign Affairs magazine, that we have got the translation wrong - and that it makes a heck of a difference. Mr. Luers, an old Moscow hand and the U.S. ambassador to

Czechoslovakia from 1983 to 1986, translates glasnost as "public airing," adding the following footnote:
"One equivalent in Czech to glasnost seems to be 'hlasitost,' which means 'loudness.' The Czechs ... simply use the Russian word in re-porting about Gorbachev's efforts, but they, like others in Eastern Europe, know that it does not mean 'openness,' and speculate that it is closer in meaning to 'publicity.' This is the meaning listed in Russian-English dictionaries. The English-language media and scholars seriously guage means and continued by distort its meaning in my view, by

translating glasnost as 'openness.' " With a chutching feeling, I looked up — for the first time — glasnost in my old student Smirnitskii. "Publicity." An unsystematic computer search established that in Mr. Gor- of a society that is shedding controls, bachev's first days, Renters was say- and publicity is merely a technique ing "publicity" and The Associated of manipulation, something subject Press "openness or publicity" — evi-dence that some journalists were trying to grapple with the complexity of "openness" gives an unearned gift to it all — but in more recent times Mr. Gorbachev. It tends to make his

the convenience of "openness." Mikhail Gorbschev's campaign for What difference does it make? "openness" — to the point of mak-What difference does it make? the friendly images of a would-be-Western society, while publicity or public siring, though not exact, indi-cates more of the truth of the matter,

which is the use of information or



inquiry by an otherwise closed Com-munist society for purposes that the leadership alone defines.

Practically speaking, openness in-volves publicity and publicity in-volves some openness. Essentially, however, openness goes to the nature

incipiently democra converging. No single thing may have softened his Western reception more than the uncritical spreading of this one definition of glasnost by the journalists and others who supposed-ly stand guard at the linguistic politi-cal gates. Carelessness and wishful thinking surely account for part of

this pervasive misreading.
But there is another part, which is that glasnost is an odd duck, and none of us, perhaps not even Mr. Gorbachev, has figured out exactly what it is. It is not just hopeful Westerners who see the new mode as something that could move the Soviet Union toward pluralism and democracy. Wary Soviet Commu-nists feel the same way. Robert C. Tucker of Princeton notes that Mr. Gorbachev has found it necessary to quash fears that his prescription seemed too radical, assuring the Communist Party Central Committee that "no breakup of our political system" is intended

Gail Lapidus, a Berkeley professor, sees in glasnost a "simultaneous connotation of both candor and publicity" whose aims are to reduce the Soviet people's reliance on foreign (radio) and unofficial (gossip) sources of information and to enhance the regime's credibility and popular standing. Glasnost, she adds, offers "a convenient weapon

for use against political opponents."
This element of official hands-on is precisely what fades into the mists of openness. The Economist of London tried and failed in its June 13 issue to find a one-word substitute. "Public siring" has two words and handles a bit awkwardly but goes in. the right direction. It's got openness. The Washington Post.

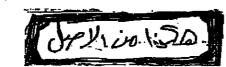
Warren Harding for president, while the Democrats needed 44 to nominate James Cox. That was also the year the tickets were historically bottom-heavy. The interesting match was between the vice presidential candidates - Calvin

wrote this for the Los Angeles Times.

#### IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Chima's New Woes 1937: Blum Cabinet Fa PARIS — [A Herald editorial says:] China is again in a state of anarchy. The regular troops, unpaid and mutinous, are looting in various regions; the irregular forces, with which the overthrow of the Manchu dynasty was achieved, inspire distrust every-where. Serious disturbances have occurred in Mukden, and the outlook in Canton is extremely threatening. Business is at a standatill, the authorities are powerless or incompetent, distress is rife. Perhaps the most disquieting element is the pusulanimity of the Governmental chiefs. The Premier, Tang-Shao-Yi, is in flight; his example has been followed by one of his colleagues. With all respect for the eminent, members of the Chinese

PARIS — Following the resigna of Premier Léon Blum fon June Senstor Camille Chantemps, R. wing leader of the Radical-Soc party, accepted President Albert brun's invitation to form a new D. crimient. Despite the fall of the Cabinet, the Popular Front reunbroken in the Chamber. In vi M. Bhun's intimation that he approve of a Popular Front Radical instead of Socialist ship, certain principles of col tion between the two parties bly have been settled. The Joydes Débats (Right) said: "It was itable that the conflict between Blum Cabinet and Parliament sh break out sooner or later, and it Cabinet, it must be admitted that meritable that it should break over the question of finance.
Blum Cabinet was destroying lim their eagerness to get away from Peking suggests that they consider the Chinese Republic to be in danger. little the Parliamentary regime



plained in the world as a kind of Greece and Yugoslavia when he legitimization of the crimes he was a German lieutenant in World

# ence to President Kurt Waldheim of Austria, saying the meeting

Adel Osseiran making a call in an effort to free his son.

## Lebanon Official Accuses Sharjah Ruler Hezbollah of Seizing Son

fense Minister Adel Osseiran ac- efforts to find the captives, Oscused the pro-Iranian Hezbollah seiran family sources said Saturmilius on Sunday of being responsible for the kidnapping last week of his son and an American journalist, Charles Glass.

Mr. Osseiran also predicted that there would soon be "surprise" developments about all foreign hos-

tages. He did not elaborate.
"They are with Hezbollah. It was confirmed," he said at his family home, about 20 miles (30 kilometers) south of Beirut. The defense minister had avoided a direct accu-

sation last week. Hezbollah, or Party of God, has denied any link to the abductions. Ali Osseiran, Mr. Glass and their police chanffeur were kidnapped in in West Beirut — was linked to a Syrian-controlled, Shiite Moslem strains between Tehran and Daarea south of Beirut on Wednes-

Mr. Glass was the first foreigner known to have been kidnapped

President Hafez al-Assad of Syria By Emirates RMAILEH, Lebanon — De- has ordered his forces to step up

Some hostages are believed to be in the southern suburbs of Beirut, where Hezbollah has bases and which are virtually surrounded by

Syrian troops. Tension was still high in the southern suburbs Sunday after two persons were killed in clashes Friday between the pro-Syrian Shiite Amal militia and members of the Mikdad family, which is close to Hezbollah.

Christian broadcasting stations in East Beirut said that the abduction of Mr. Osseiran and Mr. Glass - a challenge to Syria's authority

Mr. Glass, 36, arrived in Lebanon earlier in June to research a book. He also did some free-lance

delegation's chairman, Leonard

#### since 7,000 Syrian soldiers were reporting for his former employer, sent into West Beirut in February. ABC News. Singapore Detains 6,

Frees 4 in Alleged Plot

SINGAPORE — The government has announced that 4 of 16 pore to lift restrictions it imposed persons arrested last month for al-eged involvement in a subversive Street Journal's Asian edition after preserve stability and security in Marxist network have been freed disputes over what the government and 6 others arrested.

The official statement was issued as Suppiah Dhanabalan, Singapore's foreign minister, confirmed Saturday that the United States, Canada and Australia had raised the question of detentions with Singapore. He declined to give details and said the arrests were purely an

internal matter for Singapore. Among the six new arrests were a businessman, a lawyer and a university lecturer. They were said to have been implicated by those detained earlier. All 22 suspects were detained under Singapore's Inter-nal Security Act, which allows indefinite detention without trial.

George P. Shultz, the U.S. secretary of state, said Friday that he had discussed the detention of the 16 persons in the original group of detainces "rather extensively" Mr. Dhanabalan.

The officials from the United States, Australia and Canada were here for talks with Singapore and its partners in the Association of Southeast Asian Nations.

Ten of the original 16 were Roman Catholic church workers. One of them, Vincent Cheng, conceded in a television interview early this month that he had used church organizations as a cover for Marxist subversion.

Mr. Shultz said he would not comment on the case because it was taking place within the framework of Singapore's laws. Bill Hayden, Australia's foreign

minister, said that while Australia respected the right of Singapore to safeguard its internal security, those detained should be charged

Joe Clark, Canada's secretary of state for external affairs, also brought the matter up with Mr. Dhanabalan, officials said.

Prime Minister Lee Kuan Yew said June 2 that it was not Singapore's practice to bring those detained under the Internal Security Act to trial.

He said he would "not allow subversives to get away by insisting that I've got to prove everything against them in a court of law or produce evidence that will stand up to the strict rules of evidence of a court of law."

But Mr. Lee, a lawyer by training, said confessions would not be obtained by torture, coercion or distortion of the truth.

The government statement Saturday said Mr. Cheng, a former seminarian who is allegedly a key figure in the network, would be held in detention for two years. The
11 other members of the original 16 will be held for up to one year for what the government called "reha-

## For Kuwait, 7 Years of Gulf War Revive Old Religious Hatreds

By John Kifner
New York Times Service

KUWAIT - Seven years of war berween Iran and Iraq have begun to rip the social fabric of this rich oil-producing emirate in the Gulf. stirring ancient animosities be-tween Sunni and Shiite Moslem

The Sunni ruling family of Ku-wait has backed and financed Iraq from the beginning, largely from fear that Ayatollah Ruhollah Kho-meini's Islamic Shiite extremis fundamentalism might swead from fundamentalism might spread from

A third of the people in Kuwait are Shittes, including many whose

JERUSALEM - Prime Minis-

ter -Yitzhak Shamir of Israel on

Sunday condemned Pope John

Paul II's decision to grant an audi-

would give legitimacy to alleged wartime crimes by Mr. Waldheim.

Waldheim, this move would be ex-

"In face of the fact that there are

largely well-to-do and, by the standards of the Arab world, relatively well integrated. But the Shiites have begun to feel growing identification with their religion, and this has led to the rise of an Iranianbacked underground and violence.

The policy they are following in the Iran-Iraq war is splitting the country," said a Western diplomat, referring to Kuwaiti Shiites. "If it keeps dragging on, you could get a Lebanon, a civil-war situation

He said the small groups that exist now would not be able to do
it, adding, however, that the Shiites

committed according to the various

Mr. Shamir said Israel could do

nothing to influence the planned

papal audience because of the lack

of diplomatic relations with the

Vatican, which does not recognize

press its unhappiness and regret,"

■ Reaction to Protests

"Israel can do nothing but ex-

Roberto Suro of The New York

The Vatican issued a statement

Saturday saying it was "surprised and grieved" that the pope's deci-sion to receive Mr. Waldheim had

provoked doubts about the pope's

respect for the Jewish people.
The statement was issued after

Jewish groups in the United States,

scheduled for Thursday.

rope and Israel protested the vis-

The Vatican rarely offers official

comment on the motives for a pa-

Mr. Waldheim has been accused

of taking part in deportations and

executions of Jews and others in

Times reported earlier from Rome:

the Jewish state.

Mr. Shamir said.

accusations," Mr. Shamir said.

Kuwait's Shiite community is if it goes on like this on the domes- clashes, and two policemen were. On May 22, a major fire was set treedy well-to-do and, by the stan- tic scene you will have people iden- seriously wounded. There have in a propane storage tank at an oil tilving by group, just as in Leba-

> Six Shiite citizens were sentenced to death early this month for sabo-tage in the oil fields and docks in Eight Si January. Explosions and fires were set on the eve of a meeting by Islamic leaders: Iran had denounced the meeting. Twenty-five Kuwaiti Shiites and

closed doors for battling policemen vho were searching for suspects in are clearly dedicated people, and diplomats. There were several in Kuwait.

War II. He has denied the allega-

anizations, who met Friday in

New York, said the papal audience

with Mr. Waldheim had made "in-

appropriate" their own planned

meeting with John Paul in Miami

in September during his visit to the

Vatican officials insist that Aus-

tria's bishops did not lobby for the

visit. The Austrian government was

said to have been the most active in

beseeching the Vatican to receive Mr. Waldheim.

changes between Vienna and Rome

is still unclear, some Vatican offi-

cials believe that Austrian officials,

and in particular leaders of the

Christian Democratic Party, inter-

concern in recent days that the au-

dience could be a setback to some

prove relations with Jews, which

Second Vatican Council in 1965.

While the nature of the ex-

United States.

been roundups of entire families. maids. There have been allegations

Eight Shiites, mostly juveniles, were arrested this month on charges of distributing pamphlets that described the government as

A diplomat who saw the pam-Saudi are being tried behind phlets said they were signed in the name of Hezbollah, or Party of God, which represents the Iranian the sabotage. The suspect escaped. and Lebanese Shiite fundamental-The search for the plotters was ists, and also by a group called efficient but harsh, according to Forces of the Prophet Mohammed

tria, "an old and noble Catholic

Austria.

bomb tried to crash into the emir's motorcade. Both acts were blamed on Al Israel Assails Waldheim's Papal Visit

> prised and grieved" that the an-nouncement of Mr. Waldheim's visit had provoked "questions and played on TV. doubts about the consideration and respect by the pope and the Holy See toward the Jewish people and through this tiny nation. particularly their position regard-

struck them." After defending the pope's posi-tion toward the Jews, the Vatican Persian. There's no such thing as an upstatement explained the diplomatic per-class Shiite!" a Sunni busine background of Mr. Waldheim visit. The statement notes that Aus-

nation," is linked to the Holy See "cordial relations," and it says the Kuwaiti elite. the Austrians democratically elected Mr. Waldheim a year ago. Mr. Waldheim, it added, had previously been elected to two terms as secretary-general of the United Nations and had "carried

ceded on behalf of Mr. Waldheim. out missions of great responsibility Vatican officials have expressed for peace and international cooper-"It's a question of divided loyal-The statement said Mr. Waldof John Paul's many efforts to im- heim's official request for an audience had been granted because of emerged from a decision by the the Holy See's relationship with

right down to their Sri Lankan Is burned out of control for almost three days and threatened the city.

The police said earlier this month that the saboteur was a Kuwaiti Shiite. Faisal Ahmed Karam Neiruz, who held a responsible po-sition in the national Kuwait Oil Co. Others accused in the sabotage

vere also employees of Kuwait Oil Kuwait has not been immune to terrorist attacks. Suicide truck bombs damaged the U.S. and French embassies in 1983. In 1985, the driver of a car rigged with a

Daawal, the Iranian-backed Irani Shiite underground, and could be dismissed as the work of foreigners. All of that changed in January when more than a dozen Shiite citizens were rounded up in connec-tion with the oil-field fires. Their

weapons and bombs were dis-The arrests sent shock waves

Editorials questioned the wisdom of having granted citizenship ing the inhuman persecution which to Shiites -- "people who spoke in Arabic but whose hearts beat in

> man exploded when a visitor mentioned that several of those arrested bore the names of major Shiite clans, usually regarded as part of

"It's a very gloomy situation," said a Western diplomat. "It's difficult to protect against a serious breakdown of law and order. It's partly a Persian-Arab issue as well as a Shia-Sunni one. The history is

ties. Now the Sunnis really believe that you cannot trust a Shia, no matter how long they have been here, how rich they are, or how much they protest their loyalty to

in a propane storage tank at an oil million people have full citizenship, installation near the city of Kuwait. predominate, and Shiites. Citizens have considerable benefits, including a guaranteed salary and a house with maid quarters. People from other countries do much of the me-

nial and technical work.
The Shiite one-third includes people from Iran, Lebanon and Pa-

Shiites have become well repre sented in a number of sensitive fields, particularly in the Kuwait Oil Co., the army and the police. comfortable jobs in government and business.

There is now an effort, diplomats and Kuwaiti sources say, to move the Shiites out of their sensitive

"More and more, any Kuwaiti Shiite is regarded by the authorities as a potential fifth columnist. which is a self-fulfilling premise. said a European diplomat

A Western-educated Kuwaiti Shiite said: "There is increasing hostility toward the Shia, suspicion of the Shias loyalty to the system. It's being questioned by everybody. Now there is discrimination. would not have bought that idea before, but now I can feel and smell that discrimination. Now I can see it for myself.

"Most Shias, being of Persian origin, sympathize with Iran, while Sunnis sympathize with Iraq. Some of the tensions now are related to the war: some are deeply rooted."

Western diplomats give the ruling emir, Sheikh Jaber al-Ahmad al-Sabah, credit for trying to enforce security while at the same time attempting to avoid religious

But, they add, he is under pres-sure from hard-line Sunnis to strike at the Shiites. They note that emotions are highest among young people, and half the Kuwaiti citizens

are under 15. Sunni fundamentalist groups have openly advocated attacks on Shiite mosques.

# Is Reinstated

DUBAI - The ruler of the Gulf emirate of Sharjah, Sheikh Sultan Bin Mohammed al-Qassimi, was reinstated four days after his brother removed him in a power struggle, the Emirates news agency reported

Leaders of the United Arab Emirates met Saturday night and confirmed Sheikh Sultan as the le-

gitimate ruler, the agency said. The brother who had tried to remove him, Sheikh Abdel-Aziz Bin Mohammed al-Qassimi, was appointed Sharjah's crown prince,

the agency said. Sheikh Abdel-Aziz said Wednesday that he had family support to replace Sheikh Sultan, whom he accused of plunging the emirate \$1.4 billion into debt through eco-

He installed himself in the ruler's court, surrounded himself with 100 armed soldiers of the Emirate Guards under his command, and said he would step down only if his family or the people asked him to

Sheikh Sultan, who was on a private visit to London, flew back to the neighboring emirate of Dubai - which supported him - to contest his brother's claim.

The news agency carried a brief statement from the Supreme Council, which groups rulers of the seven the United Arab Emirates.

considered to be anti-Singapore ar-Sources with close ties to the Sharjah ruling family said the "We are not encouraged that agreeme change will take place, said the promise.

They said that Sheikh Sultan Marks. Mr. Marks is a former dimight retain a cabinet and an ap-rector of the U.S. Information pointed parliament that Sheikh Abdel-Aziz created.

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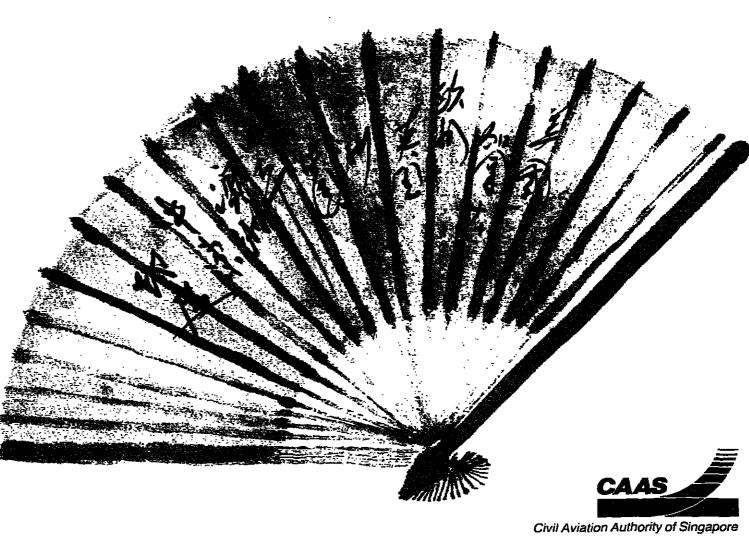
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TRAVELLER'S

#### ETA Admits 'Mistake,' **Marchers Protest Terror**

Compiled by Our Stuff From Dispatches
BILBAO, Spain — The Basque
In Barcelona, 70,000 people
separatirst organization ETA admitted responsibility Sunday for
the hombing of Part 1 Compiled by Our Stuff From Dispatches the bombing of a Barcelona supermarket last week and called the action a "serious mistake."

A statement released here said that in the future the ETA would "use all means to ensure a selectivity" in its terrorist attacks to prevent the public backlash that accompanied the blast in the the Basque language. underground car park of the

#### **NUCLEAR:** U.S. Offered Site

(Continued from Page 1)

year either denied that such a proposal had been made or said they were unaware of it. But several U.S. officials who

have followed South Pacific affairs closely have confirmed the offer. An Australian diplomat familiar with the offer said France refused for reasons of national pride and because of concern that it would compromise development of an independent French nuclear deter-

He said the approach was regarded as a sensitive issue by both the United States and France.

Washington, he said, was prepared to provide an alternative test site if Paris wanted it. But the Reagan administration was not prepared to press the issue because French cooperation was important on a range of high priority matters for the United States, including arms control and maintenance of an effective Western alliance.

Officials in Australia and New Zealand have warned that anti-nuclear feelings there and in other countries in the South Pacific have been fanned by France's nuclear testing in the region.

At a press conference in Singa-pore Friday after talks with foreign ministers of ASEAN, the Association of Southeast Asian Nations. Mr. Shultz said the United States was concerned about the hostility that French testing had aroused in and around the South Pacific.

But he said that France's nuclear capability was part of an arsenal to be waged coldly," he said, maintained by the Western alliance,

(Continued from Page 1)

The African subcommittee of the

House Foreign Affairs Committee

is investigating "a very strong cir-

cumstantial case," as one staff

member put it, that the United

States used Saudi money to circum-

vent a congressional ban on Ameri-

can aid to rebels fighting the Marx-

ist government of Angola. The

The Saudis acknowledge giving

about \$3 billion a year in public

foreign aid programs, and their se-

cret contributions have apparently

These are among the major ex-

• Washington and Riyadh have

cooperated to aid the insurgents in

Afghanistan, and their joint dona-

tions amount to "well in excess" of

\$500 million a year, an American

● In 1977, the Saudis financed

• Saudi money was used to help

the conservative North Yemen gov-

ernment repel an incursion from South Yemen in 1979. Much of the

money was used to purchase Amer-

 At the request of the American ambassador, the Saudis provided sizable amounts of money to the

government of Somalia in the late

1970s and helped switch that coun-

try's alignment from the Soviet

operations have decided to discuss

them now, because they feel that

the full extent of the Saudi contri-

bution to American interests is not

well understood. But other sources

declined to talk, saying that publi-

cation would embarrass the Saudis

and jeopardize the effectiveness of the relationship.
The Saudis' public-relations

problem has recently been drama-

tized by fierce congressional oppo-sition to President Ronald Rea-

gan's proposed sale of Maverick

missiles to the Saudis. The proposal

nurtured the relationship over

many years, the Saudi connection

has significantly enhanced the in-

To American officials who have

was withdrawn.

Some sources familiar with these

Union to the West.

an airlift of Moroccan troops to Zaire, where they buttressed the shaky government of Mobutu Sese

nine-year ban ended in 1985.

in some years.

source said.

Seko.

Even now, some details remain ob-

injured 37.

Two children carrying placards with the slogan "We want peace, down with ETA," led the chanting demonstrators through the streets of Barcelona to the scene of the blast. The initials ETA stand for Basque Homeland and Liberty in The ETA statement also ex-

pressed condolences to the Catalan people for the explosion. Hospital sources said two of the

39 injured, a man and a woman, died Sunday. Thirty-four of the injured were reported in serious condition, many with severe burns. ETA has exploded several car

bombs in Barcelona since the city was chosen last year as the site of the 1992 Olympic Games. Indignation mounted among rel-

atives of victims over the failure of the authorities to clear the supermarket despite warnings before the explosion.

Telephone calls from persons claiming to speak for the ETA warned police and a Barcelona newspaper nearly an hour before the blast.

Ramon Comas, whose brother and sister-in-law were injured, blamed the city's civil governor for failing to evacuate the supermarks after the first threat. He accused the supermarket's managers of outting economic interests above the security of customers.

Police said they searched the supermarket but found nothing by 3:30 P.M., the time at which the caller said the bomb was set to explode. They concluded it was a

A lawyer representing the super-market denied Barcelona press reports that the supermarket received a separate telephone call warning them of the bomb. He said it was up to the police to decide whether to evacuate the building.

Prime Minister Felipe González, who cut short a visit to Brazil, pledged Saturday to hunt down terrorists "with all legal means within

"One feels rage, but the fight has (Reuters, AFP)

ing or unable to spend on foreign

"I view it as a very cooperative.

mutually beneficial relationship,

built on an identity of views," a

Reagan administration official

cording to law and lawful proce-dures," he said. "There is nothing

to prevent us from talking to our

interest. Thank God for the Sau-

sign a check.

ently not informed

requests for Saudi help have creat-

of the African subcommittee asked.

"Is there a quid pro quo here?"
Sen. David L. Boren, an Oklaho-

11 is not unusual for the United

These things were all done ac-

projects because of economic and political constraints.

SAUDI: Secret Billions Aid U.S. in Reaching Foreign Policy Goals

terests and influence of the United Officials of both countries insist

States at a time when it was unwill- that their relationship involves no

friends and doing things of mutual argue that if lawmakers knew more

States to seek the help of other arms to the Saudis. But the Saudis,

countries to pursue foreign policy who deeply value secrecy, refuse to

— William B. Quandt, the Brookings Institution

mittees in Congress approved Bandar bin Sultan, the Saudi

many of the Saudi operations. But ambassador to the United States,

in several cases, such as the aid to has told associates: "We have to

the contras. Congress was appar- show the United States we can be

A broader question is whether more useful than the Israelis."

ed private obligations and expecta-tions that could distort the execu-tion of American foreign policy, were selling them a lot of arms and

"The question is, are we doing felt some quid pro quo was reason-things for them?" the staff member able to expect. They wouldn't give

ma Democrat and chairman of the began in the late 1960s, after

Senate Intelligence Committee, wealthy Arab countries were asked

said he was satisfied that Congress to aid the nations that lost territory

had been adequately informed to Israel in the 1967 war. Some of about the Saudi connection and those connections, even though

that the United States had not in- they had not been suggested by the

curred obligations that would work

United States, proved useful in the
against its interests.

United States, proved useful in the
against its interests.

Nevertheless, some officials worry about the American dependence on Saudi money. Robert C. McFar-

lane, the former national security singer, for instance, used Saudi in-adviser, told the congressional fluence to contact the Syrians and

committee investigating the Iran-negotiate a disengagement agree-contra affair that he was uncomment with Israel on the Golan fortable soliciting money from the Heights. Mr. Atherton, who trav-

Saudis and that when an American eled frequently with Mr. Kissinger,

official does so, there is always the said the secretary used to remark, consideration of "what obligation "Wherever I go in the Middle East,

objectives. The intelligence com- discuss their operations.

'It takes King Fahd about 10 seconds to



Buddhist monks running for cover in Seoul after South Korean riot police fired tear gas into a street demonstration.

#### KOREA: Ruling Party Considers Concessions; U.S. Sends Official to Seoul

(Continued from Page 1) Sunday night, about 300 students

bombs at riot police. The police immediately fired tear gas, forcing the students back - U.S. Sends Aide to Seoul onto the cathedral grounds. The point for the students.

resolve the political crisis by doing Sydney.

away with a decision he made in U.S. officials accompanying SecApril to postpone a dialogue with retary of State George P. Shultz on

(Continued from Page 1)

collapse many years ago by evolv-

friends decided to make Redu a

sister city of Hay and held a book-

explicit quid pro ques. But they

also acknowledge that mutual obli-

gations are widely understood and

where," said Alfred L. Atherion,

former assistant secretary of state

for the Middle East. "It's implicit,

but it's unambiguous. The Saudis

see this as a special relationship

about the Saudi efforts to promote

American interests, Congress

useful, too. In fact, we are even

In explaining the decision to seek

it on the Arab-Israeli issue, so we

looked elsewhere."
The Saudi foreign aid program

I find Saudi footprints in the sand."

Reagan administration officials

and we do, too.

"It's not written down any-

In 1984, Mr. Anselot and some

constitution. That decision, to put off the talks until after next year's who had gathered on the grounds off the talks until after next year's of the Myongdong Cathedral and is commonly seen to have being a supervisor of the street and hurled fire helped generate support for the trations.

The United States announced cathedral has become a rallying Sunday that the assistant secretary of state for Asian affairs, Gaston J. The state radio, quoting party Sigur Jr., would leave for Seoul on officials, said Mr. Chun could help Monday, Reuters reported from Sigur Jr., would leave for Seoul on

BOOKS: Village Turns a Page to Economic Rebirth

some booksellers decided to stay

permanently in Redu. Some local

By 1985, there were about a dozen

book shops, and that number has

It is not known exactly how

prints were noticeable was Jordan,

which regularly received Saudi sup-

tration official said, Jordan con-

tacted Moscow about financing an anti-aircraft system and the United

States urgently asked the Saudis to

underwrite a competitive deal. The

African country across the Guli of

Aden from the Arabian Peninsula

that had been drawn into the Soviet

orbit. The American ambassador

to Saudi Arabia was directed to

visit officials in Rivadh, maps of

the area in hand, and request aid

ver worked. The money "allowed

about \$200 million, and the manen-character."

for the Somali regime.

once operated by Russians.

Another example, across the Red Sea from Jeddah, was Sudan, which

was led in the 1970s and early

1980s by a pro-Western govern-ment under President Gaafar Ni-

States was barred for nine years ors.

from aiding Angolan rebels led by Jonas Savimbi. Sam Bamieh, an

American businessman with ties to

Saudi officials, has told the House

African subcommittee that Moroc-

co trained the Savimbi forces and

were used to skirt U.S. law.

port. In the mid-1970s, an adminis-

been growing steadily.

esidents also opened their stores.

the opposition on amending the his official visit to Australia said it shop of those elements from the but high-level contacts were ex- Sydney.

Press reported.

"We've got to have in Korea a

Redu in recent years, but the figure

is believed to be substantial. Aside

collectors eat at local restaurants,

areas of interest in the Ardennes.

hired to help out in the book stores.

most of which are closed in Decem-

become a cultural center for south-

ber and January.

Saudis complied.

With the vast increase in oil dozen French-language authors prices in the mid-1970s, the Saudi were in Redu for a literary confer-

poor but strategically important admit that Redu's meta

craftsmen.

was still unclear which South Kore- government and the major opposi-an officials Mr. Sigur would meet, tion party," Mr. Sigur said from

"We have made that central to Mr. Signr said later Sunday that our policy that we believe the way the United States would press the to broaden the political base in Seoul government to hold open Korea and to move the country elections and resume negotiations toward democracy — which every with opposition leaders to stem the political leader says he supports political unrest. The Associated that they've got to start talking to one another again," he said.

Mr. Signr said his schedule had reopening of the discussions and not been made final and he was the negotiations between the vari-unsure whether he would meet with ous political elements, the leader- opposition leaders while in Seoul.

## CHILE:

higher public spending to reduce unemployment. Chile's economy from buying books, tourists and grew 5.7 percent last year. Business stay at local hotels and visit other people are optimistic about the

have a hard time finding a job are parties that attract most business support are also keeping clear of Jeneral Pinochet's campaign to be

Other merchants also prosper. A humberman has had to buy a larger Francisco Bulnes and Andres Allamand, leaders of National truck to keep up with his orders, Renovation, a coalition of rightist and a carpenter said that he stopped by Redu whenever he needed work. parties that have consistently Now the town, which is about 80 miles (125 kilometers) south of Brussels, is branching out, trying to

chet loses, and I think he will, the defeat would be for the armed

treasury overflowed, and American ence. The town also plans to build proposals for using that surplus several art studios to be rented to One example was Somalia, a Mr. Anselot and Mr. Alexandre norphosis ability of the center-left opposition poses certain dangers. The on- parties to mount a national camfabric of life in Redu, and its farm-

The Saudis agreed to donate want to keep the village's rural

But certain changes are inevita-Christian Democrats. pendency on the Soviet Union," an forestry work during the week and administration official said, and to-tends his shop on the weekend, day, the United States occupies naday, the United States occupies nasays, "Now I feel more like a librar-val installations on the Red Sea ian than a forest ranger." ists, "and if there is fraud, there will be violence."

Youths who would normally

But the conservative political

slaught of visitors could alter the paign that mobilizes a "no" vote. find a platform, but the candidates fabric of life in Redu, and its farming roots could get lost in the shuf-

# much money has been pumped into Opposition Widens

forces, which could be catastroph-

out of eight million potential voters

## (Continued from Page 1)

"We are against all types of raw "We can beat the dictatorship tourism," says Mr. Anselot. "We with its own rules if we get to work," said Adolfo Zakdivar, a militant wing of the

the sole candidate in the plebiscite. backed the military regime, said a

# dent nuclear deterrence.

nuclear weapons.

many in place of the medium-range

France could not extend a nuclear

But some West German officials

bush," the report said. France Socialist Party.

tion government.

FORCE: Cooperation Considered (Continued from Page 1) see the French nuclear deterrent as withdrawal from the alliance's mili- an adequate replacement for the U.S. nuclear and conventional

But Mr. Rohl threw cold water presence.

The British and French nuclear on the suggestion. The British and French nuclear You cannot speak of a joint forces are credible only for deter-command until four know which ring a nuclear and just possibly a forces have to be commanded," he major conventional attack against the territory of these countries." Mr. Mitterrand again made it Christoph Bertram, a former direc-clear Sinday that Prace would for of the International Institute. not rejoin NATO's integrated com-for Strategic Studies, wrote in the mand, from which de Ganlie with-cament edition of Foreign Affairs, drew in 1966 to pursue an independent "Because of their minimal size they dent defense policy centered on cannot be expected to provide exrended deterrence to the alliance

in French military thinking, the nonnuclear members."

The search for European defense delense of the French homeland; options, in effect, means French-West Germany is a buffer against German options, since an attempt Soviet invasion, to the extent that to revive the Western European. French Photon and Hades land- Union as a vehicle for regional debased missiles can reach only as far fense policy is impeded by British as German territory. The French Tears that this would alienate also have submarine launched mis--Washi

siles that could reach Soviet territo- France and West Germany have different reasons for getting closer: Laurent Fabins, the former So- For France, it is a way of preventcialist prime minister, suggested ing West German neutralism. For last week that France should ex- West Germany, it is the reassuring tend its nuclear shield to West Ger- feeling of having a hinterland. At present, it cannot even depend on the use of French ports and air space to receive reinforcements in

said that the suggestion was mean-ingless since Mr. Fabius failed to the event of attack. Another spur to closer cooperamake clear whether the French tion is demographic. In West Germissiles would be placed on Gez- many, the pool of draft-age men is expected to shrink to 130,000 in the many's eastern border or remain in rance. early 1990s, compared with-Michel Debre, a prime minister 250,000 today, making it increas: under de Gaulle, meanwhile, reject- ingly difficult to maintain adequate ed Mr. Fabius's proposal, saying in the National Assembly that the nu-

conventional defenses. Mr. Kohi's call for a combined clear deterrent must remain nation—military unit appeared to be in line al. Mr. Mitterrand said earlier that with a policy designed to bring

guarantee, and Mr. Kohl side- NATO planning process, stepped the issue, saying he did not There already is significant miliwant to interfere in a French inter- tary cooperation between the two countries. There are a couple of The decision by NATO coundozen joint manufacturing protries to accept the "zero-zero op- jects. The two sides have agreed' tion" eliminating U.S. and Soviet politically to pool their resources in missiles with a range greater than the production of a new attack heli-300 miles (500 kilometers) has copter.

touched off a debate about French and West German offi-France's military role in Europe cers already train together and and the credibility of its independent each other's languages. And this fall, 47,000 members of the The fear of the eventual with- French Rapid Reaction Force are drawal of the American misales scheduled to take part in exercises

shows in a blinding fashion how in West Germany's attachmanch our security is dependent on Still, West Germany's attachmant of our allies," said a recent ment to the United States and report by the Groupe Renouveau France's nationalistic concept of its Defense, a collection of senior mili- defense will make the transition to tary officers and diplomats close to a European defense "long and dif-the French Democratic Union, one ficult," according to Jean-Pierre of the major partners in the coali- Chevenement, a former French industry and education minister who "Let's stop beating about the is now a leading spokesman for the

must say loud and clear that its The two countries frequently defense starts on the Hibe and that march "back to back rather than

it is ready in consultation with its side by side," he said.

allies to enlarge its strategic conNevertheless, he wrote last week cept toward the front line."

in Le Monde: "France and Germa-Some West German officials pri- my are in the same boat. It's time vately criticize the French for over- for the Europeans to decide their backed the military regime, said a reliance on the nuclear deterrent own defense for themselves. They pinochet candidacy would be unwille neglecting conventional declared themselves. They will neglect the remaining of the means. Only the will in tenses. Most of the French ironer massing. The real mission of the means of the will in the search of the means. They will neglect the means of the will neglect the means. Only the will neglect the means. Only the will neglect the means of the will neglect the means. Only the will neglect the means of the will neglect the means of the will neglect the means. Only the will neglect the means of the will neglect the means of the will neglect the means. Only the will neglect the means of the will neglect the means of the will neglect the means of the will neglect the means. Only the will neglect the means of the will neglect t In general, West German mili- deterrence, and our vital interests tary and strategic analysts do not do not stop at the Rhine."

#### The chance of defeating General Pinochet in the plebiscite lies in the VOTE: Soviet Voter Experiments

aged to walk through the curtained booth on their way to the ballot Another innovation this year

protects a dissenting voter from becials. Previously, the curtained

"Psychologically, it is completely different." Miss Zuikova said, although she noted that some voters

ing singled out before election offibooth and dropping their unbooth for those who wanted to touched ballot in the box.

cross off the candidate's name and ... Miss Zuikova cautioned against

expecting any upsets. on the ballot was to the side of the voting area. The voter had to set himself apart from the flow by she said. "There may be more votes are the candidates will not be elected." against them, but these people have This year, all voters were encour- proven their worthiness.

#### GULF: U.S. Aide Reports East-West Effort to Devise a Peace Plan

"We encouraged the Saudis to Saturday as the Maltese-registered help Nimeiri." Mr. Atherton said. Tenacity, believed to be part of a "He didn't even have enough mon-ey to import food, and we felt Con-transport oil from its main refinery

gress would not be sympathetic to on kharg Island to a terminal any large foreign aid bill. With saudi help, the Nimeiri government survived for several more traq or tean since an traqijet fired years, before it was overthrown by two missiles, apparently by missa coup in 1985. In southern Africa, the United May 17, killing 37 American sail-

ESCORTS & GUIDES

ment under President Gaafar Nimeiri. The United States was concerned about Sudanese insurgents sympathetic to Colonel Moammar Gadhafi. the Libvan leader.

(Continued from Page 1)

Several ships have been damaged part of a plan to "pave the way for since then by mines. The United America's presence in the region."

Several ships have been damaged part of a plan to "pave the way for since then by mines. The United America's presence in the region."

States, in response to an appeal from Kuwait, has announced plans

Officers Relieved of Duty

supplies. In Iran, Prime Minister Mir Hus-In Iran, Prime Minister Mir Hus-sien Moussavi was quoted by Teh-siles into the ship, The Washington cal action officer.

walking to the booth.

oil fleet under the U.S. flag, protected by the U.S. Navy.

The U.S. Navy has announced the final say on any courts-martial.

The U.S. Navy has announced the final say on any courts-martial.

The Iraqi communique said frience Secretary The Iraqi communique said frigate Stark were relieved of their R. Brindel, 43, the skipper since Baghdad would continue to strike commands because of dissatisfaction at Iran's economy, particularly oil to with their performance when mander Raymond Gajan Jr., 35, the ship failed to react to the Iraqi the executive officer; and Lieuren-

ran radio as saying the Iraqi attack
was carried out "with the help of facilities provided by Kuwair" as

Post reported.

Captain Brindel was ordered to the Atlantic Fleet's surface force in Finday as saying that an investigat.

Norfolk, Virginia.

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#### the Saudis paid the bill. Mr. Quandt added: "I think the **ESCORT** SERVICE USA & WORLDWIDE Saudis were involved in supporting Savimbi in Angola. That was not Head office in New York 330 W. 566 Sr., N.Y.C. 10019 US for their reasons, but for our rea-212-765-7896 The subcommittee has tentative-212-765-7754 ly scheduled hearings for early July to explore whether the Saudi funds MAJOR CREDIT CARDS AND CHECKS ACCEPTED Private Memberships Available The Saudi ability to finance foreign policy efforts promoted by Washington has declined recently LONDON with the slump in oil prices, but as Portman Escort Agency the payment to the Nicaraguan 67 Chillern Street, Loadon W1 Tal: 486 3724 or 486 1158 All major cradit cards accepted contras demonstrates, Riyadh remains willing to provide cash at key The relationship has clearly been strained by recent incidents: the LONDON American failure to provide arms KENSINGTON the Saudis want and the Saudi re-

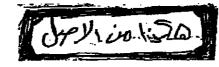
fusal to intercept an Iraqi plane that had attacked the U.S. frigate Stark, "It's not the best of all possible worlds," Mr. Atherton said, "But it could be worse, and the Sandis keep it from being worse. We just shouldn't expect too much from

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Tokyo: Money's New Capital

#### IN THE NEWS

Dec. 1, 1986: Japanese Launch Offshore Banking Tokyo's offshore banking market is given the green light, bound by strict operating lim-its and high tax rates.

March 2, 1987: Stock Prices Reach a Record High

Declining interest rates brought on by a discount-rate cut by the Bank of Japan, the fifth in 13 months, sends the Nikker stock average to another record high. This year, the Tokyo Stock Exchange became the world's biggest in terms of share value.

May 22: Overseas Trading Of Futures/Options Starts The government lifts a ban on overseas trading of futures and options by major financial institutions.

June 4: Timetable Is Set To Open Financial Markets The Finance Ministry announces a timetable for further opening of its financial mar-kets, including plans to allow more foreigners to join the Tokyo Stock Exchange and to underwrite more government

**June 9: Futures Contracts** Offered on Basket of Stocks The first attempt at stock-futures trading since 1945 starts in Japan. Contracts are based on a basket of 50 shares on the



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#### IN THIS REPORT

#### Euroyen Growth

With the collapse of the Eurodollar FRN market this year, yen deals are expected to increase further.

#### Futures Comeback 11

Changing attitudes at the Finance Ministry help expand the range of financial futures and options markets.

#### Urban Spread

A futuristic vision of the capital is taking shape as architects and planners put the unus-

#### The Economy

The bulk of a \$42 billion spending package to revive the economy is going to public works and housing finance.

# The huge disparity in access and role has led to bad feelings between governments. WALL ST.

Creditor to the World

## Soaring Trade and Yen Nourish a Financial Giant

By John Burgess

OKYO — The waves of TVs and Toyotas arriving in foreign ports in recent years kept the world well informed of Japan's rapid development as a class-of-its-own manufacturer. But until recently, few people abroad knew that another sector of the Sapanese economy was advancing with almost equally unstoppable momentum, its banks and securities houses. Suddenly, the world finds that its four largest banks are

Japan's four largest. So, too, for the four largest securities firms. The market value of the Japanese companies listed on the Tokyo Stock Exchange is now on a par with those of New York. Japan is the world's largest creditor nation, with \$180 billion in foreign assets at the end of 1986 and

the ledger is growing daily.

So it was that the chairman of Bankamerica Corp., A.W. Clausen, was calling in bank offices in Tokyo early this month. He was in search of new capital for his ailing institution, which not so long ago reigned from California as the world's largest and most prosperous. He was in the right place. The Japanese like to turn magnanimous when former seniors fall on hard times, and there is plenty of

Some of Japan's current financial clout came effortless-ly, due to the drastic rise of the yen since 1985. This marked up balance sheet figures as expressed in dollars by more than 70 percent. But even without that help, Japan's banks

seemed certain to rewrite the rules by which money flows in the world. Financial power goes hand in hand with indus-

Today, old talk of Tokyo as a financial center to rival New York and London is finally coming true. This is so even though Tokyo remains a daunting environment of heavy regulation and sky-high operating costs — \$10,000 a month rent for an executive's apartment is common. It is also true even though Japanese markets are well behind New York's and London's in sophistication and variety of instruments offered. Like it or not, the business is here. The Japanese are opening the doors and foreigners are rushing in to take part.

The influx has been most marked for securities houses. At the end of 1984, there were 10 foreign securities firms licensed here. Now there are 36. The Japanese announced earlier this mouth that 10 more companies will be getting licenses soon. In addition, nine foreign trust banks have set up for business handling Japanese pension and corporate

The arrival of newcomers, however, is a trickle compared to the Japanese going overseas. Japanese securities houses are now major players in the New York markets, with two of them, Nomura and Daiwa, functioning as primary dealers and the Industrial Bank of Japan doing so indirectly through ownership of Aubrey G. Lanston & Co. Many of the major banks have bought all or a major piece of an

At the end of 1985, Japanese banks accounted for about a quarter of all international commercial lending. That share has grown substantially since then. Although they remain in the shadows in debt negotiations, leaving leadership to the Americans and Europeans, they are gradually becoming more confident in their role.

Japan is expanding its capitalization in the World Bank and has promised to recycle about \$30 billion more to Third World countries.

The banks grew to their present strength under the same type of protection and government guidance that was used so successfully to develop manufacturing. The Ministry of inance carved up the market into sharply defined sectors and assigned groups to each - long-term credit banks. trust banks, large "city" banks, investment banks. Foreign banks were kept out of most of the business, except where their presence was unavoidable or helpful.

egulation was eased in the 1970s as the Japanese players gained strength and experience to compete with the world and with each other. By the end of 1980, the government had retired most of the strict exchange controls. Money was free to come and

In the next few years, access to the financial markets here became a focus of trade tension. The United States wanted in and began pushing. But Ministry of Finance bureaucrats were reluctant. Why monkey with a system that had produced so successfully what every industrial economy wants

from its banks (and so few in recent years have been getting), namely, low-cost capital?

The ministry faced pressure from within, too. Japanese banks by now had outgrown many of the old controls. They wanted freedom to expand abroad and take part in markets that Japan had never developed.

Out of all this grew a 1984 document known as the "yendollar agreement," which was signed with the United States. It laid out a timetable to deregulate (to a degree) Japan's financial markets, "internationalize" the yen and end interest rate ceilings. It has been slow going: About 70 percent of all deposits are still in regulated accounts.

American pressure also helped open the long-locked doors of the Tokyo Stock Exchange. In February 1986,

after years of apologizing that it simply had no room for new members, foreign or Japanese, the exchange took in six foreign companies.

Symbolic of the opening is the floor's lone foreign trading clerk, an American named Brian Kelly. He speaks Japanese and a language that even fewer foreigners have mastered, the complex hand signals by which buy and sell orders are conveyed in the heat of trading.

From the visitors' gallery, it is easy to lose him in the sea of Japanese faces. That is the state of affairs with foreign companies in general, as Japan's doors generally open only when the market is nailed down by domestic giants. "Fighting for 10ths of a decimal point" of market share

Continued on page 8

## Investors Wonder: Will Japanese Buy Wall Street?

By Leslie Wayne

EW YORK - Wall Street has long been home to brokers and investors of all nations. But no single country has moved faster to expand its presence in America's financial capital than Japan.

Japanese brokerage houses are beeling up their operations here. Japanese institutions are buying into American investment banks and Japanese capital continues to flow into the equity and bond markets.

Many of the Japanese moves have been stunning: for instance, Sumitomo Bank's \$500 million purchase of an equity stake in Goldman Sachs & Co., one of the few remaining partnerships on Wall Street, or Nippon Life Insurance Co.'s 13 percent purchase of Shearson Lehman Brothers.

But, on a daily basis, the Japanese resence has been growing in ways that often do not capture headlines:

 Japanese firms have grown at a rapid-fire pace. Nomura's New York office, for instance, doubled in size last year to nearly 400 employees and other firms are growing at the same rate. This comes as firms branch into new areas of investment banking, including the secondary trading of debt and corporate and municipal finance underwritings. In the commercial bank arena, Japanese banks are the biggest of the foreign players in the United States.

 Japanese are major owners of U.S. government securities. About \$64 billion of government debt is held by Japanese and last December, two of Japan's Big Four on Wall Street -Nomura and Daiwa - were granted primary dealer status by the Federal Reserve Bank. Another primary dealer, Aubrey G. Lanston & Co., was acquired by a subsidiary of the Industrial Bank of Japan at the same time. Fears that troubled trade relations between the United States and Japan as well as turmoil in the foreign exSome brokers paint a doomsday scenario of the Japanese gaining control of the U.S. financial markets.

change markets might slow down this ent were proved unfounded when the Japanese, once again, emerged as big players in the \$20

billion Treasury financing in May.

• Japanese purchases of American stocks continues to grow, with net equity purchases by all Japanese firms reaching \$5.6 billion last year. With the yen strengthening against the dollar, Nomura estimates this should swell to \$16 billion this year.

 Japanese have taken title to some of Manhattan's most prestigious real estate. A \$6 billion spending spree last year netted the Exxon Building. ABC headquarters and the Tiffany building as well as a half interest in Benjamin V. Lambert's Eastdil Real-

investment banks. • Top talent from Wall Street and the Fed has been lured to Japanese firms. Stephen H. Axilrod, a former

ty, one of the nation's first real estate

bank's second most powerful figure, is now vice chairman of Nikko's American operation, while Scott Pardee, formerly head of foreign exchange at the Fed, is now at Yamai-

Indeed, many feel it will not be long before the Japanese are major players in every corner of Wall Street. "The Japanese know what they want to get involved in -everything," said Robert Brusca, chief economist at Nikko Securities and a former Fed official. William N. Griggs, a New York-based consultant to Japanese firms, added, "The Japanese are a new player who will be important in all areas that seem profitable bonds, stocks and investment bank-

This, of course, has many worried. Some on Wall Street fear a shift in global financial dominance from New York to Tokyo, while others complain about the limited access to Tokyo's markets. And still others

"Fear on Wall Street? You're darned right there's fear," said Perrin Long, an analyst with Lipper Analyti-cal Services. "Most managements say they welcome the increased competition. But underneath, they are quite concerned."

The Japanese came to Wall Street nearly 20 years ago — "We're not Johnny-come-lately's," said Paul H. Aron, vice chairman of Daiwa Securities of America, which, with Nikko, Nomura and Yamaichi make up the Big Four. Yet only recently has their financial clout become apparent. It is an outgrowth of several factors: Japan's traditionally high personal savings rate, a trade surplus that continues to widen and the limited number of investments available in Japan.

"The Japanese presence on Wall Street is the financial counterpart of their trade surpluses," said Richard N. Cooper, a professor of internation-

Continued on page 13

# Banque Indosuez in Japan.

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BANQUE INDOSUEZ. A WHOLE WORLD OF OPPORTUNITIES.

## Banks, Brokers Split On Liberalization Plan

Special to the IHT

OKYO - Japan's big financial institutions are increasingly becoming like children at a party who cannot decide who will have the first cherry from the top of the cake. They can see enough cherries for everyone but are afraid that their friends might get a bigger, redder cherry than

As Japan's financial markets open wider and the government allows its own banks and securities houses to freely roam the world's money, stock and bond markets, old divisions and jealously guarded rights in the domestic finan-

cial world die hard. Securities and Exchange Law, which makes a strict division between banking and securities business in the same way as its role model, the Glass-Steagall Act in the United States.

In the controlled Japanese financial markets of the past, such a rule prevented excessive competition and provided profits for all. Yet the concept is increasingly redundant in the markets where boundaries between different financial instruments are becoming increasingly blurred, and the concept of the global financial institution, offering all services to all men, is already with us.

Japan's major banks and securities firms see this, and want the boundaries lowered. Unfortunately they cannot agree yet how to go about it smoothly. The split of interests is mirrored in the Finance Ministry itself. The ministry's Banking Bureau and Securities Bureau are naturally concerned for the business of their own sectors of responsibility and are backed by powerful banking and securities house lobbies.

The International Financial Bureau gets caught between both sides in its attempts to free up the system and liberalize further to meet the demands of the United States and

Ironically, the bureaucrats have reached an understanding before the bankers and brokers. Ministry officials say that the three bureaus they could allow and who to allow it to.

In the latest June financial liberalization package the ministry announced that it would review further the existing distinctions between the two sides. A senior ministry official made clear, however, that this did not mean Article 65 would be revoked.

Officials have said that Article 65 would not disappear before Glass-Steagall. So far this has allowed the ministry to move ahead steadily in the knowledge that the U.S. act would not be gone soon. However, there has been recent speculation that the U.S. banking laws may be changed sooner than expected to free U.S. financial markets in the same way.

Two examples highlight how liberalization is aggravating the old fights.

The first concerns the continuing battle by Japanese banks to enter securities business at home. The banks have always been annoyed at the ministry licensing the securities arms of European banks but have lived with it because

U.S. banks were barred on grounds that they too had a Glass-Steagall ruling.

However, last December the U.S. Federal

Reserve allowed Japan's Daiwa Securities and Nomura Securities to become primary dealers in U.S. government securities. Tokyo faced immediate U.S. congresssional pressure to pro-

vide U.S. banks with the same rights in Japan. In the June package, the Finance Ministry headed off U.S. threats to withdraw the Nomura and Daiwa licenses by inviting four U.S. banks — Morgan Guaranty, Chemical Bank, Manufacturers Hanover and Bankers trust to apply for Japanese securities branch licenses. By easing U.S. pressure on Daiwa and Nomura, the ministry inevitably escalated the old fight at home, Japanese bankers say.

The June package also included plans to establish a commercial paper (CP) market, following industry's long-standing demands for better access to raising short-term funds, and calls from abroad to develop Japan's weak short-term markets.

Both the banks and the securities houses formed separate committees to study how the market would work.

Further infighting is expected when Japan starts up its first financial futures market over the next year or two. Both sides will be keen to control business in the market.

Yet in some cases, the firms from the same sector cannot agree among themselves, further hindering liberalization plans.

In the banking sector, the three long-term credit banks, the 13 big city banks and the

seven trust banks all jealously guard their privileges from each other and from the many eional banks.

Regional banks can now issue bonds convertible into equity but the long-term banks objected to city banks getting the same privi-lege, and the city banks are still barred from

The city banks, however, won over the longterm banks by winning the right to issue long-term mortgage bonds, giving them the ability

to raise long-term money.
In the securities sector, the Tokyo and Osaka Stock exchanges fight for the new business that liberalization can bring. Osaka's establishment of a packaged stock futures contract on June 9 was an attempt to head off Tokyo's institution of the country's first full stock index futures contract, probably next year when the Securities Transaction Law is passed.

But internal squabbles apart, liberalization is allowing Japanese financial firms deeper and deeper into the world markets, the bankers and brokers said. The huge size of the main firms and their ability to raise or place capital makes them almost unbeatable in a totally liberalized market place. Nomura is about 10 times the size of its nearest British rival. Seven of the world's top 10 banks by deposit base are Japanese. Perhaps the biggest compliment to the power of the Japanese institutions is the latest U.S. rumor, reportedly begun by the New York Times and denied by the administration, that several U.S. superbanks should be created to effectively compete with the Japanese.

**Global Connections** 



fact that the appreciation of the yen against the dollar has attracted investors, it is the Euroyen market that facilitated this growth.

## Further Growth Seen for Euroyen Market

Special to the LHT

ONDON - The growth of the Euroyen market has been nothing less than explosive. In 1983, a mere 70 billion yen of new issues were launched. In 1986, new-issue volume had soared to nearly 3 trillion yen, or roughly \$19.35 billion, taking 155 yen to the dollar as an average rate over the

year, and the total for 1987 to the end of May had already reached over 2 trillion.

Last year, yen financing accounted for some 10.75 percent of all Eurobond new issues and U.S. dollar-denominated funding was pushed below the 35 percent mark — a historical low.

"The Swiss investor is no longer a mainstay of the Euroyen market," said Bill Grant, head of foreign currency bond trading at Citicorp Investment Bank in London. "We're seeing more and more interest from the investor base in the U.K., for example. Some of the more conservative pension funds are becoming aware of the yen market."

With the virtual collapse of the Eurodollar floating rate note market this year and a marked slowdown in the pace of fixed-rate Eurodollar new issues, the proportion of year deals should increase further this year.

Apart from the obvious fact that the appreciation of the ven against the dollar has attracted investors to the market, it has been the steady liberalization of the Euroyen market that has facilitated this growth. In the spring of 1986, the Japanese Ministry of Finance allowed an increase in the proportion of the assets Japanese life insurance companies could hold in overseas securities from 10 percent to 30 percent. The eligibility standards for prospective Euroyen bond issuers have gradually

been relaxed to the point that any public sector entity with a single-A rating can issue and any private sector company with the same rating meeting a scale of capital ratio standards can

Furthermore, a comprehensive range of is-sue structure has also been gradually accepted. And, as much as anything else, it has been the opportunities available with the development the interest rate swaps enabling borrowers to exchange their yen for dollar liabilities that has encouraged a wide variety of borrowers to

With the success of the Euroyen market has come the ascendancy of the Japanese securities houses' London subsidiaries in the Eurobond lead management league tables. Largely due to its Euroyen bond lead managements, Nomura International has this year become the new giant of the Eurobond market, capturing a market share of around 13 percent as of the ginning of June, more than twice the share of its nearest rival, the once pre-eminent Credit Suisse-First Boston. That figure does not inchide private placement busine

But there are signs that the pace of growth in the Euroyen market has slowed. During May this year only 219 billion yen of new deals came to the market, a marked decline from April's 580 billion yen.

The reason was that the swap window closed," said Nubuo Fambashi, an associate director at Nomura Securities. "Most recent issues have been lead-managed by Japanese banks because they can offer out-of-the-mar-ket swaps. They have the natural yen cash flows to do that." In other words, the cost of

paying dollars on the interest rate swaps in-volved in generating new Euroyen bond issues has simply become too expensive for the Japanese counterparties to such swaps.

Meanwhile, since March, Euroyen bond yields have ceased to track Japanese govern-ment bond yields. While the latter have continned a steady path of decline, secondary market Enroyen yields have proved extremely volatile. For example, at the beginning of this year there was a less than 200 basis point differential between Euroyen bonds and U.S. Treasury bonds. During May, this widened to as much as 600 basis points and by the beginning of June it had only narrowed to 400 basis points. (A basis point is a hundredth of a percent, or 0.01%.)

The reason for this is that Japanese government bonds, with their high liquidity, have proved the most natural home for disinvestors of the dollar, while the Euroyen market has been the focus of high-turnover switching activity, especially by the non-Japanese houses involved in the market. This, in turn, is linked with the satiation of many Japanese investors' appetites for Euroyea instruments in the wake of the glut of new offerings earlier in the year and a sense in the market that the dollar might have hit its low point against other currencies.

According to Ryonosuke Miyoshi, an executive director at Daiwa Europe, "There have been large recent issues for Canada and Sweden, which have helped the [primary] market recover a little. But it's difficult to envisage the lunge activity we saw at the beginning of this year coming back over the next few months." A sharp appreciation of the yen against the

dollar would, however, encourage a spate of new Euroyen issues, Mr. Miyoshi pointed out, and the introduction of a Japanese government. futures contract to the London International-Financial Futures Exchange scheduled for the week beginning July 13 will improve the opportunities for hedging Euroyen band positions. The introduction of a yen Eurocommercial paper market, for short-term yen corporate securities, should also further deepen the pool of demand for yen paper among investors later

But the fact is that the yen has become, albeit very rapidly, an established Euromarket sector, and nowadays that means sharply distinguished periods of feast and famine as investors change their allegiances overnight on a currency basis.

Apart from such market considerations, there are also signs that the Japanese authorities and financial institutions would like to see some of the greatly expanded international. market for yen instruments repatriated to To-kyo, which has seen its "samurai" sector for foreign yen bond issuers in the domestic Japanese market almost completely destroyed by the cost-effectiveness and greater efficiency of

In March, the World Bank pioneered a new instrument: the "daimyo" bond, or a yen issue launched in the Tokyo market that can be cleared by Cedel and Euroclear, the two major Euromarket clearing houses. Some of the ma-jor Japanese securities houses are also advocating the registration of Euroyen bonds for sale direct into the Tokyo market, avoiding the 90-

## Trade Success Nourished Financial Giant

Continued from page 7

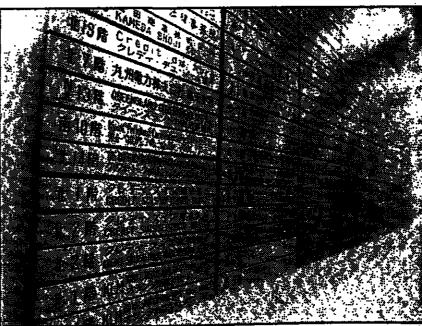
is how one foreign banker describes what is going on. Foreign firms' role in the stock ex-change is believed to be in the 1 percent to 2 percent range. The foreign trust banks have managed to capture about 0.7 percent of the sions is hardly even measurable.

The point is that Japan now has so enormous a financial pool that even with shares like these outsiders can make money. The stock, bond and foreign exchange markets are booming, nelped on by Tokyo's spot on the globe as open when New York and London are closed.

There is big business to be done, with the Japanese buying billions of dollars every month in Treasury and private securities in the United States - \$13 billion in long-term net outflow in April alone.

The local subsidiary of the New York firm Salomon Brothers has led the way for foreigners in equity size, pumping in \$300 million of capital to become the lifth largest investment bank in Japan. Although it has little hope of becoming more than a bit player in the Japanese market, it is not worried. For the present, said one executive there, the main constraint on business is finding qualified people.

The huge disparity in access and role has led to bad feelings between governments. Earlier this year, Britain threatened to clamp down on Japanese banks doing business in London if it



Foreigners are rushing in to take part in Tokyo's markets.

did not get its way on other trade issues. But it are big in foreign markets in large part because later modified the threat, realizing it would be those markets need Japan's business.

The fact is that, however unfair Japan's JOHN BURGESS is the Tokyo corresp guarding of its own turf has been, the Japanese for The Washington Post.

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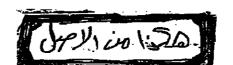
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# U.S. Treasuries Take Lead in Diversity of Instruments Being Traded

Given the sheer size and power of its institutions, disputes over deregulation in Japan seem petty.

By Brian Robins

OKYO — Deregulation of Japan's financial sector has brought with it basic changes to domestic and international capital markets as the recycling of its trade surplus has put Japanese financial institutions in the ascendant.

Given the sheer size and power of its institutions, the frequent disputes with foreign governments over deregulation in Japan seem petty, particularly in light of the access that Japanese groups have to international markets. With the rise of Japan as an international linance center, there is a diversity of instru-

ments being actively traded, the most notable being U.S. Treasury Bills:

With all the attention paid to the boom in Japan's stock markets and the start-up of trading in domestic futures contracts, the burgeoning trading in U.S. Treasuries in Tokyo has

gone all but unnonced.
Following the sizable investment by Japanese institutions in U.S. Treasuries in recent years, trading in Tokyo has grown rapidly,

with a large number of foreign investment banks actively working to further develop the

market.

Accurate figures are difficult to come by, although it is estimated that turnover now exceeds \$5 billion on an active day, with an average of around \$2 billion in a normal day's

trading.

"Total trading in U.S. government bonds, including repurchase agreements, reached \$173 billion in April," according to Shichiro Harrori, deputy general manager of the foreign bond department at Daiwa Securities. "On average trading is between \$1 billion and \$2 billion a day.

"Two-way trading has developed tremendously. On a net purchase basis of foreign bonds, it has doubled every year, and trading volume has grown more than 10 times every year. Of the two-way trading, 90 percent is U.S. Treasury Securities."

U.S. Treasury Securities."

The natural development of the trading in U.S. Treasuries in Tokyo is indicative of the growing importance of Tokyo as a regional—and global—financial center, although residual difficulties remain, especially in terms of access for foreign financial institutions.

Recycling Japan's burgeoning trade surplus has naturally thrown the spotlight on Japan's financial system, as well as highlighting the enormous power of Japanese financial institutions and investors in world capital markets.

The rapid growth in the U.S. Treasuries market in Tokyo points to the increasing influence of Japanese investors in key financial markets worldwide.

markets worldwide.

Equally, the attitude of Japanese investors to U.S. Treasuries plays an important part in the bidding process, and suggestions that Japanese institutions intend cold-shouldering an auction

can have a material influence on tender prices. In many respects, developments in trading in U.S. Treasuries in Tokyo have mirrored both the growing sophistication of Japanese investors and also their extreme dislike of any hint of currency instability. Currency uncer-

Top Eurobond Bookrunners
(1987 issues to June 16)

	in \$ U.S. bil.	No. of issues
Nomura International	10.12	70
Credit Suisse First Boston	4.84	44
Deutsche Bank Capital Markets	4.31	41
Dawn Europe Ltd.	4.14	41
Yamaichi International (Europe)	3.95	40
Nikko Securifies Co. (Europe)	3.47	28
SG Warburg Securities	2.84	28
Stilomon Brothers International	2,80 · · ·	23
Banque Paribas Capital Markets	2.65	24
Stooten Stroley International	2.64	21

tainty has the both new investment in U.S. Treasuries along with secondary market trading in Tokyo over the past 12 months.

ing in Tokyo over the past 12 months.

With declining yields in U.S. government paper, there was an increase in investment in higher yielding U.S. paper, such as corporate bonds, with a gradual spillover into equity investments.

More recently, against the backdrop of the falling dollar, Japanese investors largely ignored U.S. paper, preferring to opt for non-dollar paper, particularly U.K. gilts.
"With the decline of the U.S. dollar, Japa-

nese investors refrained from participating in U.S. dollar-denominated issues," Mr. Hattori explained.

"As a result, some funds flowed into gilts and German mark instruments. But in late May, sentiment changed again, with a switch-back to U.S. securities after an improvement in the outlook, and the trending down of the commodities index. So, if we feel interest rates are declining, we will move back in.

"With U.K. gilts, no one will offer/bid £100 million (\$167 million) [in Tokyo]. But with

U.S. Treasuries, any number of market makers

"What we've seen over the past 12 months is increased participation by secondary players, the second-level securities houses," said John McGivney of Smith Barney Harris Upham

"But with the market quieter overall, in the absence of any news you'd go to New York with your position. In that sense, a lot of the regular daily trading has gone back to New

Trading activity in U.S. Treasuries in Tokyo has mirrored the changing pattern of investment in offshore paper by Japanese investors, while access by foreign brokers to the market in Japanese government paper reflected many of the continuing difficulties of foreign institutions in getting full reciprocal access to Japan's financial markets.

Following sustained pressure, some ground was given earlier this year with the decision to boost the overall participation of foreign houses in Japan's government bond underwriting syndicate.

ing syndicate.

From the earlier level of only 1.19 percent of each new issue for all foreign brokers, it was agreed to boost their total share to 5.725 per-

At present, the Ministry of Finance operates a dual system for issuing government bonds. In broad terms, it uses a tender system for short-term issues, usually of three or five years' duration, with a fixed syndication system for the much larger volume of 10- and 20-year

government paper.

Under the fixed syndication system, the government severely limited the participation of foreign houses.

Government officials have repeatedly said that the reason they prefer the fixed syndicateis to ensure that the large volume of government bonds can be readily absorbed, irrespective of market conditions.

If all government bonds were issued by tender, this could create deficit funding difficulties, the Ministry of Finance says, especially when interest rates are trending upward.

when interest rates are trending upward.

But with the growing participation of Japanese financial groups in the U.S. primary market, with three Japanese groups holding primary dealers licenses, pressure has mounted for foreign brokers to get a larger share of the new

foreign brokers to get a larger share of the new issues market for government debt in Japan.
Limited progress has been achieved, with the underwriting syndicate agreeing, at the behest of the Ministry of Finance, to reweight the syndicate slightly to give foreign securities houses a larger share of the pie.

In addition, the ministry has agreed to put a limited amount — 20 percent — of 10-year bonds up for tender, instead of the former syndication system, in a bid to circumvent some of the present opposition.

Already, in the auctions for short-dated government debt, the bidding by foreign bouses has been active, with Salomon Brothers bidding for 40 percent of the total in one tender alone, and the number of times when Japan's dominant top four securities houses have been knocked out of the main positions in the tenders is rising.

The bulk of the government's bond issuing program is in long term — 10- and 20-year paper — with a comparatively modest amount of shorter-term three- and five-year bonds issued each year.

The other fundamental area where the Ministry of Finance has given ground is in allowing foreign banks to establish securities branches in Tokyo, Earlier, a limited number of European banks were granted the privilege, with some U.S. banks also now allowed to follow suit. By permitting foreign banks into the securities sector — banking and securities industries are still kept apart, as is the case in the United States — the authorities have created a situation where it is only a matter of time before they give further ground and allow a watering down of the lines of demarcation between Japan's big banks and securities houses.

## Savings, Surplus Help to Sustain Capital Flows

Special to the IHT

OKYO — It has become commonplace to view Tokyo as the third leg of the tripod that supports the world's rapidly developing global marketplace. No other city can provide both the critical Asian time link between New York and London and an economic hinterland big enough to sustain the huge capital flows off which the modern markets feed.

Latest statistics, combining London national market and the London Euromarket, show that in the 1980s, Tokyo has grown at an

Major barriers to full financial freedom remain.

average annual rate of 18.3 percent, which is much faster than the

The fact that Japan has the world's second largest gross national product, one of the highest favings rates and a massive curtent account surplus is also helping turn Tokyo into a key supplier of long-term capital for the world.

Significantly, Bank of Tokyo research shows that an average annual \$44 billion outflow from Tokyo has been funded half by Japanese savings and half by longterm foreign capital parked in Japan.

Such overwhelming liquidity tends to produce rapid results whenever the authorities open another door in the increasingly liberalized Tokyo markets. Last December, despite disap-

Last December, trespite the appointingly high tax rates and strict control to stop leakage into the domestic market, Japanese banks poured surprising amounts of money into their new accounts in Tokyo's offshore banking market. In one month, total assets rose to over \$115 billion, almost as big as those of local competitors Hong Kong and Singapore, and about half the size of New York's, although well behind London's \$750 billion.

However, major barriers to full capital flow and freedom of financial action remain. The problem of financial liberalization in Japan is probably entering an important

new phase.

Like the argument over the huge Japanese trade surplus, the arguments over Japan's highly regulated financial markets have tended to be characterized as a fight by the United States and, to a lesser degree, Europe to force the Japanese Finance Ministry to liberalize

its policies.
In some markets, such as the stock market, the most vocal complainers are foreign firms. The Tokyo Stock Exchange, even if it adds a few more foreign brokerage seats next May, will have only around a dozen. This is far too few to merit serious consideration as a full partner with Wall Street and the recently revitalized London Stock Exchange in the rapidly ap-

pearing 24-hour trading of major corporations' stocks, foreign bro-

But as Japanese companies and financial institutions have become global powers and market movers in their own right, pressure is coming increasingly from within Japan

ing increasingly from within Japan for faster change.

The announcement this month that a commercial paper market will be created was largely due to strong pressure from Japanese companies for wider access to rais-

ing short-term capital.

Central to the whole liberalization theme is the management of the government's own debt, which is now valued at around \$1 trillion. Funding the state debt in Japan is still a relatively rigid process. Each year, the Finance Ministry sets a funding target that it must meet. To guarantee that any bonds it issues are taken up, it negotiates and agrees on monthly terms with a syndicate of major Japanese institutions, now including several foreign firms that are allowed a tiny proportion of each issue.

The ministry has gone quite a way to freeing up the system by creating a semi-auction for over 50 percent of the bonds it issues. The ministry says that Japan's closed one-year budget system, which legally prevents it from issuing bonds to fund spending outside the current budget year, makes it impractical to introduce the full price auction system that its critics say would open the market to U.S. and European buyers and ultimately reduce the cost of funding to the government.

Shoichi Royama, an economist, goes further. He says that the authorities will never be able to smoothly manage their own accounts and to handle the increasingly internationalized yen markets without a fully developed treasury bill market.

Such a high-gratie, short-term government paper market would provide an essential tool to fine tune the capital markets without relying too heavily on interest rate monetary policy. The current, very limited use of treasury bills is less than useless, he argues, because they carry such low interest that the Bank of Japan ends up holding almost all of them after commercial investors shy away.

On other issues, last year's working paper prepared by the Institute of Foreign Bankers in Tokyo still provides an essential summary of the outstanding problems.

The bankers' main complaint is their very limited access to yen funding. To solve this, they have called for a fully liberalized yen interbank market, comparable to the New York Fed funds market, or the London Eurodollar market.

Interest rates on deposits

should be deregulated down to an amount of 10 million yen (\$69,444), they said. Otherwise, Japanese banks retain an unfair advantage in attracting cheap deposits

The Bank of Japan should be allowed to become a leader of last tesort and a provider of liquidity to foreign banks, and existing limited discount facilities should be much broader.

The yen must be fully internationalized and barriers between yen funding in domestic and overseas markets totally removed, they said. A significant reflection of the domestic difficulties related to this is that Japanese firms still prefer to raise the bulk of their funds abroad, about \$27 billion out of a total of over \$50 billion last year.

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## Oreign Traders Reconsider Tokyo Bourse

By Andrew Horvat

VOKYO - Less than three months ago, it looked as if a trade war and Japan over the small number of British brokerages with seats on the Towe don't get what we want on access to the stock exchange, we shall use our reciprocity

Americans, though less vocal than the British, were known to be equally dissatis-fied with the difficulties faced by foreign firms wishing to get on the 93-member exchange. At present, there are six foreign brokerages with memberships on the Tokyo exchange: Mextill Lynch, Morgan Stanley, Goldman Sachs, S.G. Warburg, Vickers da Costa and Jardine Fleming.

Last year, the six had to pay the equivalent of \$7 million each for what they were told would be the only time that foreigners would be allowed to enter. A year earlier, the refusal of a Japanese company to sell its membership to Merrill Lynch resulted in accusations of discrimination against foreigners. The more recent claim by exchange officials that "there is no room" to accommodate foreign traders on the exchange floor has also struck a number of foreigners

A few days before Mr. Howard's departure for Tokyo in March, the British government took the unusual step of putting into effect certain parts of a new linancial act several months ahead of schedule in order to allow British officials to withdraw the licenses of financial institutions from counincenses of financial institutions from countries that do not provide equal access to spoke on condition of anonymity, said: "An charge to nonmembers."

'An operation that is successful as a might break out between Britain branch office may not be as profitable kyo Stock Exchange. During a visit to Tokyo earlier this year, Michael Howard, as
Britain's junior minister of trade, told officials of Japan's Ministry of Finance that "if
we don't get what we must be a more than "if

> British firms. The British appeared to be operation that is successful as a branch giving the impression that they were willing to take action against Japanese banks and insurance companies in order to push their case for more seats on the stock exchange. In the view of Mr. Howard, S.G. Warburg

was the only pure British brokerage on the Tokyo Stock Exchange. This compared with four Japanese houses with seats in London. The Japanese insisted that Vickers da Costa and Jardine Fleming should also be counted as British, but, according to Mr. Howard, the former was under U.S. control and the latter was a Hong Kong firm.

But less than three months after Mr. Howard's trip, foreigners seem to have stopped complaining about their inability to become members of the exchange. Some are even having doubts about the real purpose of the trip. At present, foreign brokers in Tokyo are having second thoughts about the importance of exchange membership

altogether. Branch-office status is far more profitable, they say.

"You need huge volumes to justify the costs of membership," said a foreign broker, who asked not to be identified by name.

office may not be profitable once the firm gets a seat on the exchange." Indeed, the trading record of one foreign firm admitted to the Tokyo exchange last year has been close to the bottom of the list, suggesting that its activities in Tokyo cannot be too

To be sure, there are a number of advantages to membership for a foreign firm. Brokers say that for Morgan Stanley, a major player that takes huge trading posi-tions on its own, not having to pay brokerage fees amounts to a major saving. But these same brokers say that the 27 percent commission levied against nonmembers is not too much when measured against the small volume of transactions of many foreign brokerages in Tokyo. All the same, brokers point out that it is

the huge branch networks of the big four Japanese brokerages — Nomura, Daiwa, Nikko and Yamaichi — that provide them with the solid base to make good commissions. Many smaller firms on the exchange do nothing but trade on behalf of others, making their money on the commission they

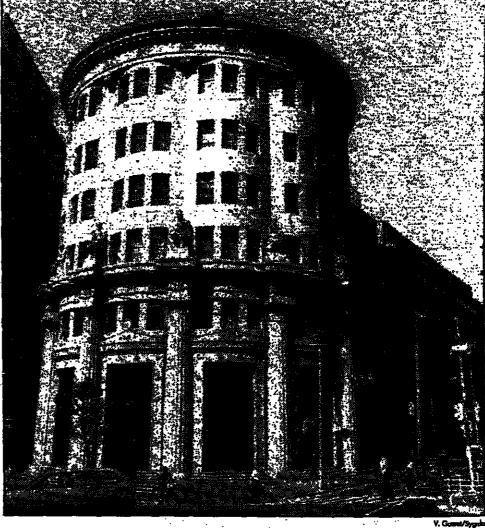
This view appears to be borne out by news reports from London that British offi-cials had been assured by their Japanese counterparts during recent bilateral meetings that three British firms, Schroders, Baring Bros. and Kleinwort Benson, would be

This has led to speculation that Mr. Howard used the membership issue in order to obtain leverage against Japan in a dispute concerning Cable and Wireless, a British telecommunications company, which was having difficulties in its bid to become part of a consortium aiming to compete against KDD, the Japanese overseas telecommunications monopoly. Although Mr. Howard insisted at the time of his visit that the exchange and the Cable and Wireless issues were not linked, he appeared careful not to be too clear, saying that "the way in which the C&W matter is dealt with will very much affect the climate of relations between our two countries."

Foreign brokers here say that the decision by the Ministry of Finance to accept appliions for securities branch licenses from 10 foreign banks, including the European subsidiaries of four American banks, is far more significant than the prospect of stock exchange memberships for possibly 10 more foreign firms.

In fact, the announcement in early June raised the possibility of requests by Japanese banks to the Ministry of Finance for similar treatment. Far from being discriminated against, the U.S. banks, albeit their European subsidiaries, will soon be able to trade in securities in Japan. something Japanese banks are not allowed to do, either at home or in the United States.

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## Newcomers Weigh Paths to Future Returns

ever, that the hard times that have

Special to the IHT OKYO - For foreign financial institutions in Japan there are two obvious questions: "Am I making a profit?" or "Will I make a profit in the future if I stay long enough and spend enough money

But as Japan's financial markets open further and Japanese institu-tions knock louder on the doors of U.S. and European markets, another and perhaps more important question anses: "Can I afford to stay away?"

The major foreign institutions that have decided they cannot afford to stay away — and that means basically all of them seem to have reached two different

For some, the answer has been

to look for near-term profit. The banks in their own country, on strategy is to find a suitable area of investment or banking business where they excel, carve a niche among the less-experienced Japanese competition and reap a mod- Japan to make such a choice are est but acceptable profit, with the

forced the foreign institutions in

their own terms.

It is worth rem

The main problem of foreign securities firms is that they have been too late.

hope of vast future returns. The nine foreign trust banks operating in Japan are following this strate-

For others, the solution has been to think in the long term and go for the vast future returns, at the cost of short-term losses if necessary. The example par excellence of this strategy has been Citicorp's aggressive campaign to compete with the big Japanese city

There were no real complaints from foreign securities firms 10 years ago because they were only a handful in Japan. The market-place was considered relatively primitive compared to Wali Street or the European bourses, and the foreign banks were able to make

very healthy profits in Japan. In the early 1970s, the foreign banks were the sole suppliers of foreign exchange to Japan's

banks were forbidden to take part. Returns were very high and only began to slip when the borrowen found new ways of raising capital, mainly through bond issues.

The foreign banks began to complain only in the late 1970s.
The watershed was a change in the foreign exchange law in 1980, which opened this impact loan business to Japanese banks, thereby breaking the foreign banks'

monopoly and sending annual profits phummeting. By the mid-1980s, perhaps half of the 80 or so foreign banks in Japan were post-The main problem of foreign ecurities firms is that they have been too late. In those 10 years, Japan's big four securities firms -

Nomura, Daiwa, Nikko and Yamaichi --- grew fat on profits from managing investments in what has become the biggest pool of money in the world. It is also their market and their language. The recent decision of

Vickers da Costa to produce bilingual research on the Japanese market, for Japanese investors was unusual. Vickers is Citicorp's 50percent owned securities arm in

Ignorance works both ways, bowever, and foreign securities firms offer foreign investors the obvious vehicle to enter Japan while offering Japanese investors the expert knowledge of foreign markets that the Japanese brokers

often lack Such advantages give the securities firms better profit potential than their banking brethren. Prof-' its last year of 12 major foreign." securities firms generally rose by multiples of two, three and four. Goldman Sachs was the only one to make a loss. Salomon Brothers ! profits were six times higher than '

and generous interpreta-tion of Japan's new in-vestment advisory law and the Finance Ministry's decision this month to speed" up award of investment manage ment licenses for 17 foreign firms have also encouraged the securi-

The major complaint of the foreign securities firms that they are not allowed enough seats on the Japanese stock exchanges, by which they mean Tokyo, may have. This month, the Finance Ministry. announced that the Tokyo Stock Exchange would add more seats. and consider foreign applications cials declined to say how many. seats on the grounds that the To-

But, following threats — later modified — of British retalistion against Japanese firms in London should more seats not appear, it has become clear that perhaps as. dozen or so new foreign and Japanese brokers, including three Brit-. ish houses, will join the six for-eigners already trading on the Tokyo exchange by around May.

The foreign bankers may have to wait much longer before Japan can supply them with the fully liberated short-term money markets and interest rates that they say they must have to compete properly. Without such an open market, the Japanese banks retain the tremendous advantage of attracting cheaper deposits, thereby making a much higher margin on the same lending rates.

The foreign banks have also been disappointed at the failure of the authorities to lift all taxes from the six-month-old Japanese offshore banking market. Until they do, they say, it makes little sense for foreigners to hold offshore ac-

In such circumstances, most foreign banks' banking arms sit. back and look to foreign exchange. dealing profits to keep them going,

The six American, two Swiss and one British trust banks, however, have found their niche and are looking to profits in the first two years or so of business in Japan. The prospect of more than \$400 billion of Japanese pension funds ripe for management in 10 years time offers them much hope.

Meanwhile, their experience has given them the ability to offer much better planned returns than Japanese firms, ensuring them of a very viable business, senior managers at the banks say.

And then there is the case of Citicorp. Under the leadership of its chairman, John Reed, Citicorp through its main financial powerhouse Citibank and over a dozen... smaller affiliates and subsidiaries has challenged the domestic retail banking industry head on. As well as its corporate and investment. banking, it offers ordinary Japanese financial services ranging from stocks to credit cards. It is the only foreign bank to offer such. a comprehensive service.

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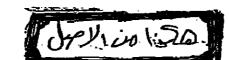
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Source: Information Development Institute, 1986



foreign expansion and has plans to open an office in Shanghai. While admitting that there

would not be much business in China for a

department stressed that "when the Chinese do things, they do it suddenly and with style."

Yamaichi hopes to manage Eurobond issues

Although each firm has its special characteristics, all have taken advantage of their size. In

spite of statements to the contrary, there have

been indications in the past of a tendency to "promote shares." One of the firms was once

quite open about its so-called "share-of-the-week" program, by which it had all its sales-men push a single stock. Simply knowing the

name of the promoted share could mean mil-

lions in profits.

Another practice popularly known as catch-

ball — placing prearranged buy orders be-tween branches for a stock being underwritten

by the company — came to light during a trial in the last decade. But, as a foreign analyst put it, what with the market leaping upward as if there were no tomorrow, catch-ball has more

or less died out: "Why bother with such things

ANDREW HORVAT is The Independent's

hen everyone is making money?"

Tokyo-based staff correspondent.

while, a spokesman for Yamaichi's planning

covered that the "perpetually smiling" sales-ladies were anything but relaxed. They are

obliged to meet a group quota of about \$30 million in sales per month.

called "heaven-or-hell" bond, which is issued

in one currency but redeemed in another, with the issuer taking a huge risk by fixing the rate of exchange at the time of issue.

Daiwa, which is No. 2, is seen as being much

like Nomura only less so. The firm takes credit for having pioneered the shogun bond (issued

by foreigners in Japan to raise dollars) and has

taken an ageressive role in samurai bonds

(public issues in yen by foreigners), managing nearly half of all issues in Japan last year.

No. 3 Nikko has a reputation for functioning

"The others don't offer this," said one Nikko

official, who maintained that in just 15

months, the Nikko-BARRA fund has attracted

Yamaichi is the oldest of the four. One fund manager in Tokyo recalled a time, before 2

serious stock market tumble in 1965, when

Yamaichi was the largest. "They are the most gentlemanly of the four," he said.

Yamaichi has pinned some of its hopes on

the equivalent of \$3.5 billion.

very much like a bank. It has begun to stress the portfolio business and has introduced a computer-tracked index fund.

Among Nomura's innovations is the so-

# Big Four Securities Houses Are New Symbols of Economic Strength

Exportdependent manufacturers are putting their funds into the stock market

By Andrew Horvat

OKYO - Until as recently as last year, Toyota, Honda, Sony and Panyear, Toyota, Honda, Sony and Pan-asonic were the symbols of Japan's economic strength. This year, the names by which Japan is known overseas are about to change. The new standard-bearers of Japanese success are Nomura, Daiwa, Nikko and Yamaichi, this country's Big Four securi-

ties companies.

On March 31, the end of the Japanese fiscal year, Nomura, Japan's largest securities dealer, was poised to overtake Toyota, Japan's largest automobile maker, as the nation's most profitanisomodule maker, as the nation's most promable company. Nonmara's pre-tax profits came to 242.2 billion yen (about \$1.7 billion), an increase of just under 63 percent over the year before. Daiwa, Nikko and Yamaichi achieved

even greater percentage gains.
The change in the fortunes of both the financial and manufacturing sectors can be traced to Sept. 22, 1985, the day the finance chiefs of the United States, Japan, Britain, France and West

By Brian Robins

kets, opportunities within Japan

for controlling much of these risks

"There are few ways of easily

are remarkably underdeveloped.

going short in this market," the

head of one foreign securities

Historically, Japan had the first futures market in the world, begin-

ning in the late 1700s for farmers

to hedge against movements in the

price of rice. With the price of rice

under government controls, there is no longer any need for such a

The conservatism of the Minis-

try of Finance has ruled out any

development of domestic futures

and options markets, at a time when they are needed most by

Japan's industry, as the biggest

buyers of most commodities

worldwide, is unable to adequate-

ly hedge its position in domestic

commodities markets. Similarly,

the range of financial futures or options markets available in North America or Europe have not developed in Japan. But the attitude of the authorities, primar-

ily the Ministry of Finance, is

Trading in government bond fuka Securities Exchange just opened trading in its new "Stock Futures 50" index earlier this At the same time, Japan's financial institutions have been given approval to directly trade in financial futures markets overseas, with industrial groups expected to receive approval as well in the not

Concern over the investment risks involved particularly for smaller investors, has resulted in the Ministry of Finance adopting an extremely cantious stance to

Now however, given the signifi-cant liability of Japan's institutional investors to both currency and interest rate risks, it has decided to give its big financial institu-

The start of trading in the Osaka Securities Exchange's Stock Futures 50 contract will overcome

an unusual anomaly, whereby overseas investors have been able to trade in the Nikkei 225 index in Singapore, punting on future movements of the Tokyo Stock Exchange's dominant index, while investors in Japan have been able only to channel their funds direct-

The need for institutional and corporate investors to have access

to more sophisticated markets to hedge their exposure lies behind

part of the push by the Ministry of

Finance to begin opening the doors. Even so, both the government bond futures market and the

Osaka Futures 50 contracts specif-

ically provide for physical delivery

unless the contract is closed out

before expiry.
In addition, potential players in

the new Osaka contract - the

Tokyo Stock Exchange will have a

Nikkei 225 contract up and run-

ning next year - face the hurdle

of onerous transaction costs, far

greater than involved in gaining

access to other markets in overseas

One problem of the Osaka Futures 50 is the fact that it is only a limited basket of underlying equities, unlike the Nikkei 225, which is based on that number of under-

"It is a warped basket since it is not a broad basket tracking the

market," Mark Arimura of Salo-

Japan's big investors.

slowly changing.

too distant future.

tions a freer hand.

ly into stocks or bonds.

house in Tokyo said.

- -

OKYO — With the role

of Japanese investors

pushed to the fore of in-

ternational capital mar-

Germany decided in New York to realign ex-change rates. The subsequent boost in the value of the yen made Japanese manufactured exports suddenly less competitive. In order to earn the same amount in yen today as in September 1985, a Japanese manufacturer must charge more than \$1.70 for the same export product he could sell for \$1.00 some 20

months ago.

Rather than plow their declining dollar earnnatural man plow their decining dollar estimages into plant and equipment, Japan's export-dependent manufacturers put their funds into the stock market, where at least they could recoup some of the losses they were taking in order to maintain market shares oversees.

Five interest, as a well adding little to

Five interest-rate cuts, while doing little to stimulate domestic demand, have accelerated the flow of funds into the market by discouraging individuals from putting their savings into bank accounts, some of which were paying barely I percent.

Although critics warn that the Tokyo market is overheated and that there is too much money chasing too few stocks, for the average Japanese the zai-tekku (finance-technology) boom has been a bonanza. The value of the Nikkei index of 25 leading stocks has risen by nearly 50 percent in nine months. Thanks to the increase in the value of the yen, the Tokyo Stock Exchange is now the biggest in the world

in terms of share values. The greatest beneficiaries of the zai-tekku boom have been the Big Four securities companies, which together account for 46 percent of all share trading on the exchange. The sud-denly increased dollar value of the funds at the disposal of the Big Four has made them formidable competitors all over the world. Nomura manages some \$237 billion worth of customer assets, while the total share of the other three players comes to more than \$500 billion. All four firms have plans to increase the numbers of both domestic and foreign branches this

Japan's industry, as the

biggest buyers of most

its position in domestic

commodities markets.

offshore, but individual corpora-

tions cannot. Individual investors

Initially, the participation of

foreign groups in the new Osaka contract will be limited, although

this is believed to be largely a

procedural issue, which will soon

ka contract has been extensively

delayed due to anticipated

changes to Japan's taxation sys-

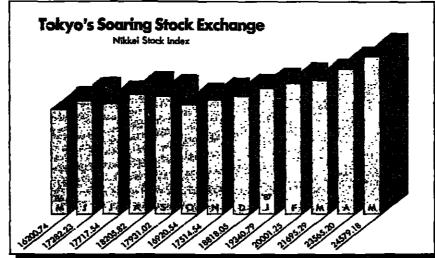
The start of trading in the Osa-

will be active as well."

be rectified.

commodities worldwide, is

unable to adequately hedge



into second place in Eurobond managing, just behind Credit Suisse-First Boston. At the same time, the Japanese brokerage nearly quadru-pled the profits of its London operation from £15 million to £54 million. The advantages of being the largest securities house in the world were easily apparent two months ago, when British papers warned their government not to target Nomura Securities for reprisals in a trade war brewing between Japan and Britain because, were Nomura to move out of London, it would have taken with it a huge flow of funds, plus the jobs of some 300 British em-

Ascribing special characteristics to the four giant brokerages is something of a national pastime. The adjectives most often applied to Nomura are "ruthless but talented."

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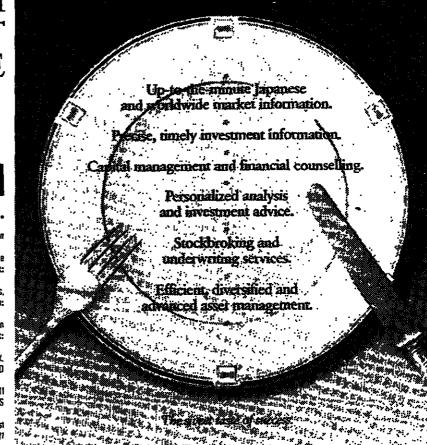
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public offering recalled that all of his executiv

colleagues at every level from section chief all

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Nomura's nickname is "noruma" (a foreign

word used in Japanese to mean quota). A visitor to a provincial branch of Nomura dis-

## **DAI-ICHI**

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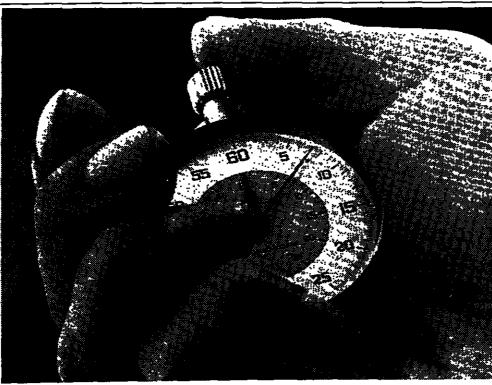
#### **Seture Futures Markets Make a Comeback** exchanges — although with only minor success so far — in eliciting increased investor interest.

Along with the Ministry of Finance's caution in allowing these slightly more sophisticated markets to develop due to fears of investors losing their funds, its attitude also represents a longstanding opposition to speculation in these markets.

With the large trading lots in the Osaka Futures 50, this will limit the activity of all but the largest private investors from participating in this market, with the high sions another factor that will militate against any dramatic

Given the high commission structure of 2.5 percent for a twoway trade, the securities houses will find the new market more

recent move to give Japanese insti-BRIAN ROBINS, a journalist tutions direct access to foreign fibased in Tokyo, writes for The South China Morning Post, Euro-money and The Far Eastern Eco-Along with these developments. the Ministry of International Trade and Industry is gradually nomic Review. He is the former moving to try and reorganize Ja-Tokyo correspondent for the Austem, which would have an impact pan's multitude of commodities



on the way this market was orga-

Since these plans have largely

been shelved, the Osaka Securities

Exchange decided to go ahead anyway, particularly following the

nancial futures markets.

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mon Brothers, equity sales and trading, said. "Certainly there are problems, but it is the only game

Office 1-5. Uchisawetcho 1-chome, Chryode-No.

By Christine Chapman

**TOKYO** — A futuristic vision of Tokyo is taking shape out on the polluted waters of the bay, on the sites of abandoned warehouses, displaced factories and old-fashioned harborside piers and in deserted country fields. Urban planners, architects and builders have reached the moment of truth. In the Japanese way, much is going to be made out of the unusable. Dream towns will rise out of the landfilled bay and former sewage dumps.

Construction is beginning on a plan to convert overcrowded Tokyo into a 21st-century city that may become the center of international finance. Politicians claim that it is an architectural and economic panacea for the ills of too little space, too high unemployment, too low a domestic demand for labor and goods and too much emphasis on the conception of Tokyo as the focus of power and prestige.

By fanning the city out on a 60-kilometer (37-mile) radius, planners hope to turn the megalopolis known as Tokyo into one of history's greatest

"Like Paris and London of the 19th century, New York and Los Angeles of the 20th." said Kazuhiko Abe, director of research for the Institute for Urban and Environmental Develop-

ment. Japan "We feel there's a chronological need to change Tokyo again." Mr. Abe said of the redevelopment projects he has been involved with for more than 15 years.

Mr. Abe, an economist, was referring to recent epochs when great changes occurred in Japan: the Edo period, when the country's isolation from the rest of the world was broken: after the 1923 earthquake and again after World War II, when rebuilding the city was essential; and before the 1964 Tokyo Olympics, which gave impetus to building a highway system and dramatic monuments to the new era, such as the Yoyogi Olympic Sta-

The world needs Tokyo as an international city," Mr. Abe insisted. 'And Tokyo needs a giant leap for-

ward in terms of space." The visions, however, come up against the basic realities of limited space, uncertain financing and a nagto make a supercity feasible?

The general plan, issued in December and entitled the Fourth Comprehensive National Development Plan for 1986-2000, stressed two seemingly conflicting goals: 5.7 million houses and 40,000 hectares (98,430 acres) of land were needed, and the area of park space per resident was to be

An advisory council to the National Land Agency shores up the fourth postwar plan with impressive statisnes. By 2000, the population of the Tokyo metropolitan area, which includes the city proper and its neighboring prefectures, or states, may number 33 million to 35 million, up from 30.2 million in 1985 (there are now 11.6 million in Tokyo proper).

The number of people working in the megalopolis will rise to 16.8 million by 2000, up from 14.7 million in In order to handle the Tokyo explo-

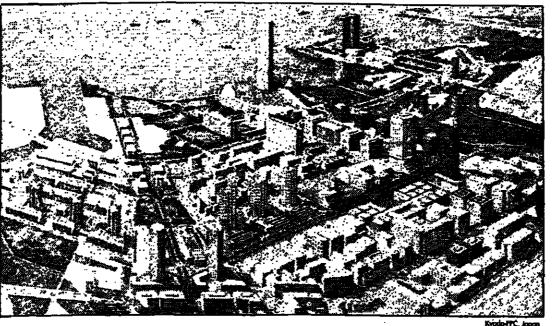
sion, the number of proposed redevelopment projects, on paper or on the table in plastic models, ranges from a low of 40 to a high of 80. For the expansion of the three-city Tokyo-Yokohama-Chiba area, there are 40 or 50 coastal plans that involve Tokyo Bay. When the inland projects are included, the total climbs to more than 70, Mr. Abe said.

"We are going to change the structure of the metropolitan area by encir-cling the bay," he explained. A 15kilometer bridge-tunnel across Tokyo Bay will connect the industrial port city of Kawasaki, south of Tokyo, to the western shore of Chiba.

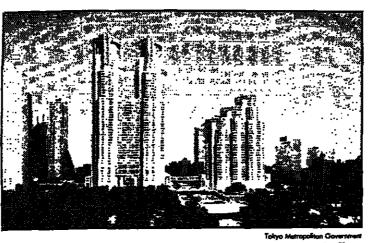
A second major project, one with a fantasy touch, is the creation of a Tokyo seaside development on the site of reclaimed land offshore in Tokyo Bay. It will include River City 21. an all-purpose, self-contained mini-Manhattan. On another site will be deluxe housing for foreigners, dubbed "International Village," with 2,000 units, hotels, clinics and shopping

Tokyo Teleport, a telecommunications complex, will be built on another man-made island. In late February, the business newspaper Nihon Keizai demurred in a headline: "Too Many Tokyo Bay Projects."

A third major project is in Yokohama, the port city 26 kilometers south of Tokyo; it would extend the city ging doubt: Can planners provide the into the harbor on reclaimed land. infrastructure—a transportation net-



Drawing of a new port city for Yokohama, part of the Tokyo area's expansion.



A model of Kenzo Tange's design for the Tokyo city hall.

as "Port of the Future," it is a combination of urban renewal and landfill that will provide 186 hectares for ex-

A new airport will be built at Haneda, site of the national airport that a few years ago lost traffic to the new international airport at Narita in Chiba prefecture. About 30 minutes from Tokyo and Yokohama, Haneda, always more convenient than Narita, will claim Asian routes as well as domestic air travel. The fifth important proposal is to

revitalize Chiba on the Boso Peninsula across Tokyo Bay. Famous as a bedroom community for commuters and for Tokyo Disneyland, Chiba has served as an industrial area and an agricultural region that supplies food to the city. Soon, in the fishing village of Urayasu, where Disneyland sits in isolated, encastled splendor, apartments will be built for Japanese and foreigners and sold by the Housing

and Urban Development Corp. Selling homes to foreigners will be a first for the government agency.

Architects for buildings in the 21st-

century project are chosen through competition. Fuymihiko Maki, an international architect, won the con-tract to design the Makuhari convention center. On paper, the drawing looks, appropriately, like a free-floating station in space.

Mr. Maki's mentor, Kenzo Tange. who built the Yoyogi Olympic Stadium, is designing a new city hall in West Shinjuku, the site of Tokyo's few skyscrapers. The project will comprise the two tallest buildings in Japan, at 240 meters (780 feet), and a shorter cluster of three towers. Calling the models "Gothic-like,"

critics have compared the idea to Notre-Dame and Cologne cathedrals. (Mr. Tange is said to have muttered: 'It's just an office building.")

Mr. Tange's and Mr. Maki's pro-

jects are scheduled for completion by

Except for the Tokyo Bay seaside center, construction on many of the 80 projects is under way, said Mr. Abe. Costs will be in the billions of dollars, financed in part by national and local governments. Apart from the budget problems of the national and metropolitan governments, the coordination of the multiple propos-als is a headache for the National

Land Agency. "For example, each prefecture or each city wants its own convention Mr. Abe said. "It's difficult to say, No, there are too many convention centers, but the National Land Agency is trying to organize the different projects

Mr. Abe, whose institute works for the National Land Agency, is aware of other potential problems: insuffi-cient transportation or new roads that will make traffic worse than it already is, the possibility of night-time "ghost towns" after workers leave, and the historical prejudice of the Japanese about where they live and work in

Expanding Tokyo into the prefectures challenges tradition. To the Japanese, the northern and eastern districts of the city conjure up images of the lower-class city-center neighborhoods and areas too close to the countryside. Having left the provinces for the big city, the Japanese prefer to settle in the western or southern districts, which represent upper-class chic and money.

However imperfect the urbanization project, people agree that something must be done.

CHRISTINE CHAPMAN, a journalist based in Tokyo, specializes in cultur-

## Tips on Becoming An 'Honored Guest'

recently asked a department store clerk in guidebook Japanese how to find a boutique somewhere nearby, the answer became an odyssey. After considering the shop's address on a Japanese business card, the clerk led the couple to his supervisor. The supervisor studied the card and walked the strangers to the store's information desk where a young woman searched for a detailed map of the neighborhood. Failing to find one, she left her post to accompany them to a nearby police box where an officer pointed out the shop across a busy intersection.

In a country where foreigners are "hon-ored guests" to be protected from harm or embarrassment, such response is not unusual. Frequently, the most embarrassing mo ment for business travelers and tourists is

how to handle such hospitality. Language and cultural differences make Japan a destination unlike any other. With a little planning, business travelers and tourists can make more of their stays and stretch

their appreciated yen. The best place to begin is the Japan National Tourist Organization, with ove offices and with information centers in Japan at the international airport, Kyoto and

in central Tokyo at 1-6-6 Yurakucho. The tourist office can supply a wealth of information, including a comprehensive brochure called "Your Guide to Japan," maps, lists of inexpensive hotels and restaurants walking tours in Tokyo, cultural events and sightseeing tours.

The office sponsors a tape-recorded telephone service in English and French, alerting tourists to events in Tokyo and Kyoto. In Tokyo, the English number is 503-2911; the French number is 503-2926. Individual queries can be fielded 9 A.M. to 5 P.M. through

the English-language Japan Travel-Phone. In Tokyo, dial 502-1461. The major travel agencies in Tokyo have international sections to help foreigners book hotel rooms and tours or reserve train seats, but the convenient and money-saving Japan rail pass, good for unlimited mileage for one, two or three weeks, must be purhased overseas from an authorized agent before arrival. A seven-day pass costs slightly less than a round trio from Tokyo to Kyoto and Nara. Day passes on the Tokyo subway system are good value at 600 yen (about \$4) and save the time and trouble of dealing with ticket vending machines at each

Travelers to Japan can buy almost anything they have forgotten to bring, although the prices will be considerably higher than at home. The American Pharmacy near the Yurakucho tourist information center has English-speaking staff and many foreign medicines and beauty products.

When packing, visitors would do well to include small packets of tissue, often needed here as napkins, toilet paper and towel paper. Sensible shoes are also a must, but in

OKYO -- When two lost Americans Japan a sensible shoe is one that can be slipped on and off easily, saving time and frustration in temples, restaurants, doctors'

offices and homes where shoes are left at the Basic travel wardrobes work well in Japan, but natural fibers are more comfortable during the muggy months of July, August and September. Winters are cold and generally

clear, but bulky clothing such as down coats

Will.

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#### A question can lead to an odyssey.

gets in the way on subways and in restaurants. When it comes to accommodations and eating, timid or busy travelers would do well to book into one of Tokyo's many Westem-style hotels that cushion against cultural rub. First-class hotels compete particularly for the corporate traveler, with executive lounges and cocktail parties, reference libratics, secretarial and translation services, free meeting rooms and gift-buying advice. The top-of-the-line Hotel Okura even makes an IBM Personal Computer available to business people; the Imperial Hotel rents

pging gear.
Seeking out less expensive lodgings in less convenient locations is in some ways easier in Japan than in other countries. Neighborhoods and the subways used to reach them are safe; accommodations, though basic, are clean and efficient. The tourist office can supply information on efficiency (business) hotels, where an average single is 6,000 year, yokans (Japanese style inns), at 8,000 to 10,000 yen a person; and youth hostels. Or you can follow Jack Nicklaus into the Imperial Hotel's newly redecorated Imperial Suite, which rents for 600,000 yea a night.

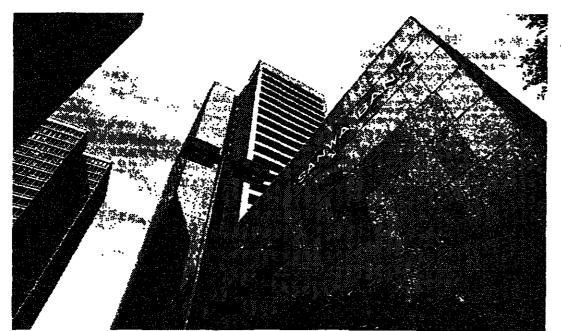
The only dish not easy to find in Tokyo is conscous. The New Otani Hotel, one of the largest in the world, even has its own Tour D'Argent with numbered ducks, while Miami Beach's famous Joe's Stone Crab supplies Tokyo with crab claws. But the best bet in Tokyo these days is a teisholu (pro-nounced tay show ku), the huncheon special available at many restaurants. From 600 to 1,200 yen will buy a main dish (at a fraction of what it would cost at night), soup, pickles; rice and perhaps office; dishes.

There is no appeng in Japanese restaurants, but if the individual tab is over 2500

yen, a 10-percent tax is added.

NANCY BETH JACKSON, a journalist based in Paris, has just returned from a year in

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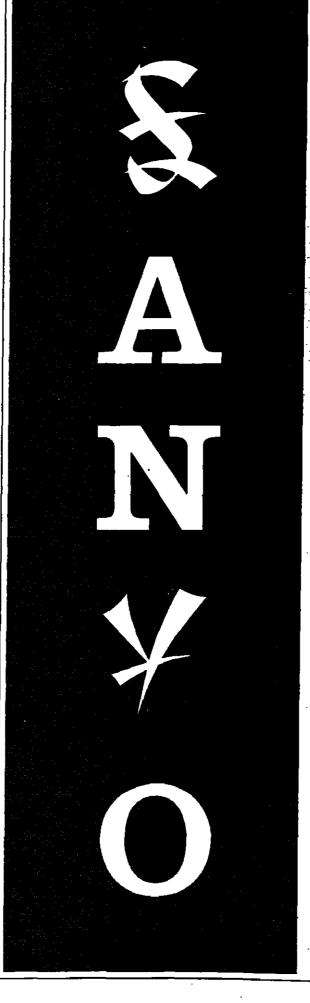
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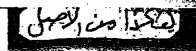
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## Will Japanese Buy Wall Street?

Continued from page 7

al economics at Harvard and former undersecretary of state for economic affairs.

And, just as in other business, the Japanese have started out modestly on Wall Street and then, by attention to detail, quality per-formance and sheer hard work, they have gained market share. For instance, Japanese commercial hanks first entered the letterof-credit market in 1983 and today are the biggest issuers of such guarantees of municipal debt, winning the business with bids often 50 percent below American banks - a reflection of more lenient reserve requirements on Tokyo banks. And some municipalities preferred doing business with the

Japanese.
"There's a sex appeal to doing business with the Japanese," said Kenneth Gibbs, a vice president in the First Boston Corp.'s public finance department.

Similar inroads have been made in corporate finance. Nomura took Wall Street by surprise when it was selected last year as the sole underwriter of a \$250 million fiveyear domestic note offering for the General Electric Credit Corp. with a bid that was 11 basis points, or hundredths of a percentage point, lower than the competition.

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They won the deal because, like any house, they were the low bidder," said Geoffrey R. Norman, treasurer at General Electric Credit.

Still, some say the Japanese will have more success as traders than founded. It's just not logical or in corporate finance, which is rational to think that the Japanese more governed by historic clientbanker relationships. "Corporate finance will be tough," said Sammel L. Hayes, investment banking and comptroller of the currency professor at Harvard. "Our investment and commercial banks have Japanese, this is a sensitive topic. developed such sophistication that the Japanese have a long way to go to become head-to-head competi-

While the Japanese still have a their actions being interpreted as

**Making New Inroads** 

BROKERS		Capital	Employees	Offices
Nomura Securities lutern	ational*†	\$131.0 (\$80.3)	389 (220)	5 (5)
Dalwa Securities America	\$116.6 (\$66.5) \$108.3 (\$63.2)	342 (141) 250 (120)	3 (3)	
Micko Securities Internati			4 (4)	
Yamaichi international	-	\$60.7 (\$23.9)	196 (97)	3 (3)
INVESTORS	U.S. In	estment		Amount
Industrial Bank of Japan	seles Aubre Rought thron roder Bank Bank unit	úgh J.	\$234 million	
Samitamo Bask	12.5% stal	ke in Goldm	ian,	\$500 millio

long way to go on Wall Street, many fear that they are so wealthy that ultimately they will dominate Giant commercial banks like Stmitomo could buy Salomon Brothers, Merrill Lynch and Goldman as well. And some paint a doomsday scenario of the Japanese gaining control of the U.S. financial markets and then causing a collapse by suddenly with-drawing their holdings.

Nippon Life Insurance

To some, these concerns are unwould own Wall Street," said John G. Heimann, vice chairman of Merrill Lynch Capital Markets from 1977 to 1981. But, for the

"Japanese are very sensitive to the control issue," Mr. Axilrod said, in an interview from Nikko's Tokyo office. "They don't want

leading to control of the destiny of

13% stake in Shearson

the United States." Of more immediate concern, however, is the issue of fairness—
the ease with which the Japanese
can set up shop in New York compared with the barriers in Tokyo.

American markets are remarkably open; Japanese markets are remarkably closed," said Representative Charles E. Schumer, the Brooklyn Democrat who has sponsored legislation to roll back primary dealer status to Japanese firms until the Tokyo barriers are lowered. Still, given the desire on Wall Street to do business in Tokyo, New York bankers seem more interested in lining up Japanese partners than in making

LESLIE WAYNE is a business

# Land and Stock Boom Take Up the Slack

By Gregory Clark

OKYO — Under strong U.S. pressure the Japa nese government has finally announced a \$42 billion spending package to revive the economy. Most of the money will go to public works and housing finance. The aim is to help tide the economy over the difficulties caused by the so-called endaka defure - deflation resulting from

yen appreciation.

To date, the government has been reluctant to increase public spending because of concern over the already high level of public debt. The size of the package, and its sudden announcement, show that it at last realizes the problems facing the economy following the 60 percent yen appreciation in the past two years.

Even so, the package seems to be yet another example of Japan's propensity for too little, too late. Almost daily, the figures released in Japan testify to the damage caused by yen appreciation. Profits in the manufacturing industry fell by an average of 22.8 percent in the 1986 financial year ending March 31. The fall the previous year was 19.8 percent.

One out of 10 of Japan's listed companies had an operating loss in the 1986 financial year. At the top of the list were 10 of Japan's largest shipbuilding, steel and shipping companies. Most had losses well over the \$100 million mark. Half of them had losses the

Even well-known electronics makers such as Sony, Canon, Victor and Sanvo are beginning to register losses, thanks to vicious cuts in export profits.

Investment in most of the manufacturing sector has been slashed. In the steel industry it has been cut by more than 30 percent, and large-scale dismissals of employees are under way.

Fortunately, the economy has been sustained somewhat by the shift in emphasis to nonmanufacturing sectors. The more expensive yen means stronger purchasing power for some, and that is starting to lap over into the housing and service sectors. The new technology industries based on computers and communications continue to expand.

Electricity and gas companies have made enormous profits from the fall in imported fuel prices, most of which have not been passed on to consumers.

But the main factor working to hold the economy up is the quite unreal boom in the land and stock placed. The land and stock market

markets. Land prices in Tokyo booms will inevitably fade, leaving, as in the past, a string of bankruptcies and a recessionary percent over the past two years mood extending at least three to four years. If this coincides, as is likely, with several major bankruptcies among medium to large export manufacturers, the slump

financial instruments. But pure, Paradoxically, what some hope unadulterated speculation would for today in Japan is another oil crisis centered on the Gulf. As in seem to be a much more important 1979, this would push up the price On the stock markets the specuof Japan's oil imports, weaken the yen and allow the export industries to recover.

Meanwhile, the much safer so-

lation is even less disguised. The Tokyo exchange is up by close to 70 percent over a year ago, even as company profits have been falling. Price-earnings ratios are now ap-proaching the 70 level, a figure quite out of line with economic Worse is the way the two booms reinforce each other. Rising land

values increase company asset values, which in turn provide the ex-cuse to increase share prices. Banks willingly accept the inflated values of land and shares as collateral to lend money for purchases of more land and shares. In Japan. it is called "financial technology," and it is rapidly replacing the real world of technology as a major source of enterprise profits. Many manufacturing firms now rely on it to prevent profit levels from going into the red. For the government, too, the speculative boom has been a sav-

have risen by an average of 200

and the boom is now spreading to

other major cities. The excuse for

the boom is Tokyo's growing role

as an international commercial center and the low level of interest

rates, now below 4 percent for

ior. Normally, the slump in manufacturing would put severe pressure on revenues and hence spending. But this year at least, the fall in manufacturing has been more than compensated for by the quite abnormal profits made by banks, securities companies and real estate dealers. Nomura Securities. Japan's largest securities company, registered profits of close to \$3 billion, up more than 60 percent from the year before. The government also gets a percentage of the stock market and land sales turnover.

Government spokesmen still hold to their optimistic 3.5 percent real growth estimate for this fiscal year, although most private estimates remain lower.

This economic activity has allowed the government to put together its \$42 billion spending package. In particular, it is looking to the go-go stock market to provide it with further large revenues from the sale of its shares in NTT, the former government telecommunications monopoly, later

But while the government has been able to increase spending, optimism for the future seems mis-

could extend much longer.

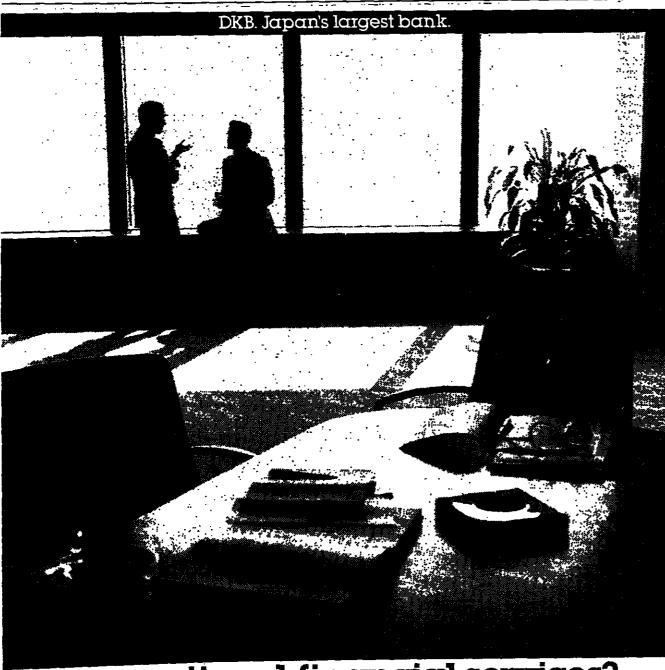
go on land acquisition costs. If Japan could pluck up the courage to raise land taxes to the level of other advanced societies, it

problems. It would lower land sible land tax system, continues to prices, increase government revebe ignored. The currently absurd levels of land prices do more than nues, encourage new private spending and allow infrastructure spending to become economic (to distort the economy; they also prevent effective utilization of the the extent such spending increases government's new spending package. Finance for new housing is of little use when few can afford the land values and thus land tax revonues). As to why Japan still refuses land to build a house. More than 90 percent of the money allocated to build a badly needed 2 kilometer (1.23 mile) stretch of highway in the center of Tokyo will have to

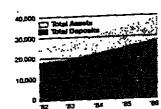
to revamp its antiquated and quite illogical land tax system, this, as ever, remains a mystery.

> GRECORY CLARK is professo of international business at Sophia University in Tokyo.





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# TOKYO

## **An Executive Tour**

TS hazy, mazy and has a traditions of efficiency and sercost of living index as high as its summer humidity. It's the original city designed by committee: an 800 square mile sea of concrete and neon sameness awash in a riot of incomprehensible characters. It's Tokyo and it has everything necessary to drive arriving tourists to despair; that is, if the exchange rate and interminable ride in from Narita International Airport haven't done it already.

Yet, most international visitors, especially representatives of firms planning to set up operations in Japan, convention-goers, financiers and other business types wanting to be where the action - spelled-Y-e-n — is at, will agree that this city of 12 million works remarkably well when it comes to accommodating their needs.

When visiting Tokyo, remember to stay central. As a rule, the closer to the Imperial Palace, the better. While all roads may lead to Rome elsewhere, they lead from the Imperial Palace in Japan. Since the main Marunouchi business section, the Ginza entertainment and shopping section, underground transit system and Tokyo Station are all in proximity to the Palace, staying central will save you a lot of time and trouble.

Your choice of centrally located hotels is protean, but the Imperial and Palace remain perennial favorites of international visitors. Both are located within sight of the Imperial Palace moat, and both have long

The Imperial, Japan's first Western-style hotel, was built in 1980, specifically to meet the needs of a growing stream of overseas guests. It has been rebuilt and enlarged three times, including the internationally renowned Frank Lloyd Wright version that survived the Great Earthquake of 1923, but not the wrecking ball in the late 1960s when development pressures led to the building of the present Imperial. Today's Imperial meets the

needs of international business travelers on a scale undreamed of a century ago. With more than 1,100 rooms in all sizes and configurations, including suites ranging from functional to palatial for both temporary and long-term occupancy. With offices in the Imperial Tower, one of the most prestigious business addresses in town. With a fully equipped and staffed Executive Lounge where hotel guests can meet visitors, send telexes, get calling cards printed and have free use of word processors and other equipment. With banquet, reception and convention facilities capable of handling a few thousand. With restaurants, boutiques, a post office branch, and for the active, a pool, sauna and even a popular jogging course around the Imperial Palace area. Whatever the need or scale, the Imperial is up to the task in

The Palace Hotel is even doser to the heart of Tokyo's financial district. With about

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it allows us to make sure that our guests receive

a level of personal service that big hotels can't

match. We also have the advantage of being

located in the very center of Tokyo's

main business area.

one-third the number of rooms the Imperial offers, plus seven restaurants, three bars and a 20-store shopping arcade, the Palace is large enough to provide its international guest with the very best of everything, from business breakfasts to breathtaking banquets, yet small enough to retain the personal touch.

The Palace is a tranquil oa-

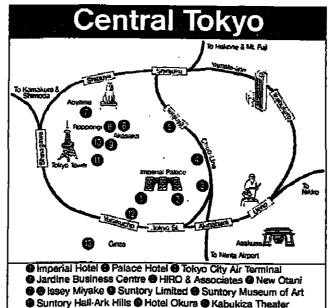
sis overlooking the moats and grounds of the Imperial Palace and its outer garden, and is given high marks by frequent travelers to Tokyo for comfort, security and service. Those in the know cite the hotel's summertime air-conditioning system as one of the best, and speak well of the service stations on each floor that assure prompt room service and security. A very high percentage of the hotel's guests honor it by returning year after year. Only a five-minute walk from Tokyo Station and a ten-minute taxi ride to the Tokyo City Air Terminal, the Palace offers convenience both coming and

Imperial Palace, the Jardine Business Center-Tokyo can have a new business office up and running from day one. A member of the World-Wide Business Center Network, the Tokyo Center goes well beyond the convenience of Executive Lounges in hotels by offering clients a variety of facilities and arrangements, depending on size and needs. Whether the need is for a temporary office while looking for

a permanent one, or a client

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Just on the other side of the



chooses to call the Center home, Jardine provides a prestigious address, an experienced bilingual staff, and a lot of help with whatever new-

comers need to know. Jardine's Identity Plan, for example, allows clients to maintain a presence in Japan without an office or full-time staff, Ideal for a company with sales representative(s) in Tokyo for a few days a month, this plan provides the tenant with a private telephone line, a listing in the building's lobby, a mail and message forwarding service and an office on a daily basis when the employee is in town. At ¥ 10,000 (\$71 at current exchange rates) a day, the Center is great value when one considers the time, trouble and expense involved in finding an office anywhere, let alone in the heart of town.

But if a permanent place is required, be it an office, industrial property or real estate, HIRO & Associates, a unique Japanese company that specializes in international real estate appraising and consulting, can provide prompt and expert English-language service in such areas as feasibility studies, leasehold and demographic analyses, acquisition and disposal, and more.

Once settled, you're ready to reap some of the advantages of your location. A good way to see the lay of the land is to take one of the day or night city tours that operate from major hotels. Latest-run cinema in original language, dance reviews and Takarazuka musicals are but minutes away from the Palace Hotel and only steps away from the Imperial. Shops and boutiques, the likes of Issey Miyake and Dior, giant department stores, bargain basements and galleries are all there for the asking.

Good food? The choice is wide open, from the Maxim's de Paris, Sabatini de Firenze and La Tour d'Argent transplants, to the Japanese originals of Benkay, Benihana, Suntory and Inagiku that have branches around the world. Maxim's, Sabatini, Benkay and Benihana are within minutes of the Imperial on foot, while the others are conveniently reached by subway or taxi. Ethnic foods are the current fad in Japan and one would be hard-pressed not to find a favorite curry, piroshki, eisbein, enchilada or paella dish plus the atmosphere that goes with it.

International conventions and exhibitions don't slow down for summer. The 29th Annual Congress of the Association Cambiste Internationale, held earlier this month. brought more than 2,000 foreign exchange dealers to the New Otani Hotel for discussions on the violative money markets. Between now and

tory Hall began its first concert series last October with such guest orchestros as the Berlin Philharmonic under the baton of Seiji Ozawa, the Vienna

September, the city will hos

admission for visitors who may not wish to stay for an entire play. Other diversions could indude concerts and museums.

Suntary Hall, Tokyo's new

world-class concert hall, is well

worth visiting. It's located in

the massive ARK Hills complex

between Roppongi and Aka-

saka. Built to commemorate

Suntary's 60th year as a whis-

key maker, the main hall seats

some 2,000 and features one

of the largest organs in Japan,

a 74-stop, 5,898-pipe concert

organ custom-made by the

Rieger Company of Austria to

match the acoustical charac-

teristics of the hall. After six

months of acoustical tests, Sun-

The Suntory Museum is another fascinating place to visit. Located in the Suntory headquarters building in nearby Akasaka, it is home to one of the finest private collections of traditional Japanese artifacts under the theme "beauty in everyday life." Among the museum's permanent collection of paintings, scrolls, utensils and other traditional art objects, are objects that have been designated as national treasures and important cultural assets. A Java batik collection now on display will give way to an exhibition of some 200 masks and figures from Africa, Asia, the Americas and Oceania under the theme "international forms of gods." The show runs from July 7 through the end of August. While there, be sure to visit the mu-

seums's tea ceremony room. If you'd rather have some-Philharmonic with Claudia Abthing stronger, stop by the Sunbado conducting, and the Entory Jigger Bar in the same glish Chamber Orchestra under the direction of Andrew building to sample and compare some of Japan's — and Litton and Jeffrey Tate: A full, rather edectic summer schedthe world's --- finest whiskeys. ule is in progress. It includes Suntory Jigger Bars, which also serve food, are located in several piano recitals by Stanimajor cities throughout the slav Bunin, traditional and innovative music of Kyoto, songs country. There are two in Tokyo; this one in Akasaka and of summer memories by sopraanother in Roppongi called the no Yumiko Samejima and per-

Suntory Jigger Bar, Newport,

With Tokyo Station conve

hour or two. Nikks, the Fuji 5

kura and Shimoda are perennially popular with visitors, i and can add much to the quality of a trip to Japan. Hikers have options of one-day walks around the north face of Mt. Fuji on well-marked trails that; wind through forest and lake country. Cycling tours around the lakes are also possible. Hot: spring spas, great scenery and refreshing mountain coolness are attractions of the Hakone area. Cycling and walking, tours around Kamakura will give the visitor an appreciation of Japan's rich cultural heritage, as the area abounds in temples, shrines and other vestiges of being the country's imperial seat some 700 years ago. Nikko, an hour and 45. minutes out of the city, puls you in a national forest of century-old cedars, the famed Kegon Fall of Lake Chuzenii and a remarkable mausoleum called Toshogu Shrine, built for . Japan's first shogun, To-

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lakes and Hakone area, Kama-

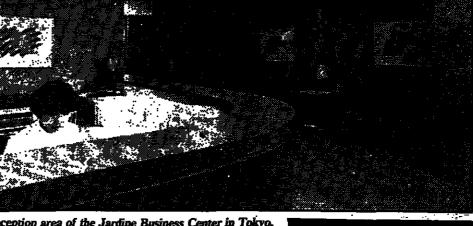
Guide to Tokyo and Environs" for a brief but comprehensive rundown on walking tours of Tokyo, one day and overnight excursions out of the city, and a wealth of other information. Nissan's is a 132-page factpacked compendium of every place, feature, address and telephone number business visitors need to take the confusion out of a Tokyo tour. Maps, transportation tips, trips to the country - everything - It is available at leading bookstores in Tokyo along with a companion volume, the Nissan-Guide to Kyoto.

Check out the "Nissan:

kuaawa leyasu.

... No people love a parade more than the Japanese and summertime has more than its share of them. The Star Festivial in Early July and Bon Festival mid-month are nation-wide celebrations that give rise to thousands of shaine and temple nient to both the Palace and festivals in Tokyo and outlying Imperial hotels, visitors want areas. Just inquire at your hoing to escape the city can be fel or a tourist center for a list cooling off in the mountains, at ... of options and specific dates. the shore or at a spa in just an :

Sage Ballard



Reception area of the Jardine Business Center in Tokyo.

international congresses and symposiums on everything from Ultrasound in Medicine and Biology to Biomagnetism, while the Tokyo Fair Grounds at Harumi and similar facilities will be the sites of shows ranging from housewares to cold type offset printing.

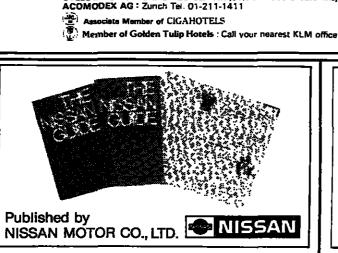
For some cultural exposure, you might consider seeing a kabuki play at either the Kabuki-za or National Theater. You can rent headsets for translations of the story line, and the Kabuki-za even offers reduced formances by the Berlin Philharmoniches Kammermusik Collegium. Suntory Hall also offers pre- and post-concert dining facilities. Try Cafe Concerto for something light or Le Maestro for formal continental

The ARK Hills complex also houses a 37-story "intelligent" office building that is home to more than a dozen international banks, the 36-story All Nippon Airline Hotel, luxury condominiums and a television news studio.

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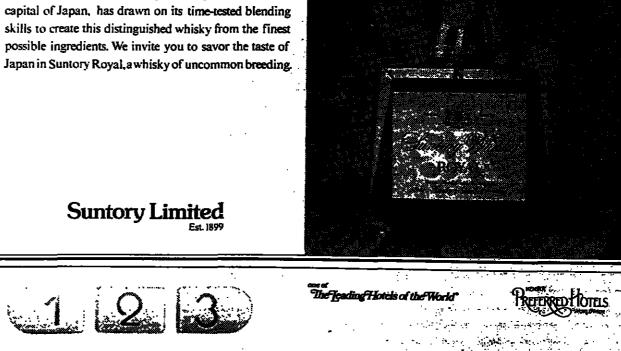
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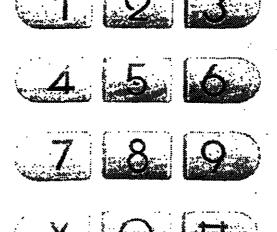


office equipment

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#### Communicating the art of service

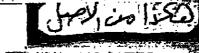
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#### EUROBONDS

## As U.S. Deficit Festers, Need for Surgery Looms

By CARL GEWIRTZ

F HISTORY has taught us anything, it is that the longer a F HISTORY has taught us anything, it is that the longer a problem is allowed to fester, the more radical the treatment will have to be to cure it. That is a legacy of Lyndon B. Johnson's term as president. His refusal to raise taxes to finance the war in Vietnam fueled a series of financial crises that finally erupted, after his retirement, into abandonment of the postwar system of fixed exchange rates.

Today, another U.S. administration is unwilling to raise taxes to finance a military buildup, and as in the 1960s, West Germany is turning a deaf ear to requests to tild the adjustment process.

is turning a deaf ear to requests to ...id the adjustment process.

This sets in motion again the problems that ultimately will lead to major surgery because a Band-Aid was not applied in

The extent of What experience has shown, said Stephen Marris, a central bank senior fellow at the Institute for International Economics, intervention in a Washington think tank, is that "action to reduce a deficit the first quarter in advance of a loss of confi-

. . .

il Giar

dence in the currency is much raised an alarm. milder than the action needed to restore confidence." How far we are from the point where confidence is broken is a matter of conjecture. But it is clear from an annual report last week from the Bank for International Settlements and from the semiannual Economic Outlook of the Organization for Economic Cooperation and Development that officials are fearful that the

turning point may be at hand.

For both, the size of intervention by central banks in the first quarter was an alarm, for it was their accumulation of dollars that covered the U.S. current account during the period.

One way or another, a current-account deficit has to be financed. Up to late last year, the United States has had no trouble attracting foreign investors, most notably Japanese, who willingly sold local currency to buy dollar assets — largely U.S. Treasury paper. This has changed. Now, the central banks are buying Treasury securities with the dollars purchased in the foreign exchange market.

HE PROBLEM is, there are limits to what central banks can do. In addition, as was seen already this year, when voluntary financing of the deficit is replaced by 'involuntary' accumulation, U.S. interest rates are inevitably forced biological property of the deficit is replaced by the second into the second higher, increasing the risk that the economy could be tipped into recession or worse.

In the past few weeks, there has been no need for intervention. Japanese government pressure to halt speculation against the dollar is having its intended effect, and the large 5 percentagepoint differential between yields on dollar bonds and yen bonds is again attracting money from Japan into dollars. But few analysts see this as a sustainable trend.

Mr. Marris, who is also a former chief economist of the OECD, anticipated today's conditions in his book "Deficits and the Dollar," published in late 1985. He believes that further weakness in the dollar will force U.S. rates sharply higher before the end of this year, sending the United States into recession next year and the rest of the world with it.

The OECD already sees signs of flagging confidence, notably in West Germany, where businesses are unwilling to use the large profits built up over recent years for new plant and equipment despite the favorable domestic climate of negligible inflation and low interest rates. (Nominal rates are at historical lows, although

real rates are high). \_ Business confidence," the OECD said, "seems to have been adversely affected not only by the cumulative rise of the Deutsche mark since early 1985 but also by fears of continuing unrest in

foreign exchange markets." The same fears are apparent in financial markets, where investors have retreated from the international arena for the safety of their own currency in their domestic markets. What business gets transacted internationally is in short maturities, of less than five years, or is purely speculative, such as the equity warrant bonds of Japanese companies.

Last week's activity in the Eurobond market reflected this. the heavy sell-off Friday in Tokyo, the warrant issues ended the week trading at substantial discounts. Prices tumbled in Tokyo following reports of unexpectedly high first-quarter growth of the money supply, triggering fears that the government would begin

The except on was Cosmo Securities, the 10th-largest securities firm in Japan. Another notable feature is that it was brought to the market by a non-Japanese firm, Schroder Wagg. The five-year bonds carry an indicated coupon of 1% percent and an expected stock option price of 21/2 percent above the prevailing Tokyo

See EUROBONDS, Page 17

#### **Currency Rates**

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## ast Week's Markets

Stock Indexes United States June 19	June 12 Chies	Memory Rates United States Discount rate S/2 S/2
DJ Instes. 2,420.85 DJ Util. 205.55 OJ Truns. 1,026.94 S.R.P.100 300.43	2.377.73 + 1.81 % 203.77 + 0.87 % 1.029.53 0.25 % 294.39 + 2.05 %	Discount rate 5½ 5½ Federal funds rate 6½ 6 13/16 Prime rate 8½ 8½ Japan
S & P 100 300.43 S & P 500 304.97 S & P Ind 355.79 NYSE Cp 172.57	301,62 + 1,77 % 349,12 + 1,97 % 149,85 + 1,60 %	Discount 2½ 2½  Call maney 3 1/16 3 3/16  3-menth Interbank 3 9/16 3 9/16
Britole FTSE 100 224410 FT 30 1,753.30	2,289.50 1,03 % 1,767.50 0,63 %	West Germany   Lombord   5   5   Call money   3.35   3.35   3.35   3.36   3.3
Jopan Nikkel 225 25,258.12 Yest Germany	25,894,27 2,34 %	Bank base rate 9 9 Call money 91 10
Hong King Hong Sens 316544	1754.00 + 5.83 %	3-month interbank 876 87/16 <u>DeBor</u> June 19 June 12 Chrise Bk Engl Index 162.29 101.30 + 0.89 %
World		Gold

#### The Dismantlement of Ivan F. Boesky

By Steve Coll and David A. Vise

Washington Past Service
NEW YORK — It was hard to believe that the man standing in the lobby of the tawny, modern skyscraper at 650 Fifth Avenue was really Ivan F. Boesky.

really Ivan F. Boesky.

It was Tuesday, March 17—St. Patrick's Day—and outside a thick crowd swarmed along the avenue, watching the annual parade. In the lobby, Mr. Boesky stood waiting for an elevator. He wore a golf cap over his long, silver hair, and a parka, though the day

was sunny and mild.

Since November, when details of his corrupt stock trading practices and record-setting settlement with the government were announced, Mr. Boesky had been coming to his Manhartan office nearly energy day.

his Manhattan office nearly every day.

While waiting for the elevator that Tuesday, Mr. Boesky greeted a man who worked with him in the building. The man returned the greeting and then realized why Mr. Boesky was so heavily dressed.

Because of the parade, Mr. Boesky had been unable to get across Fifth Avenue in his limousine. The fallen speculator apparently had decided to walk the last block to his office, and the golf cap and parka were a form

of disguise.

As one of the country's best-known independent stock traders, Mr. Boesky had sought out public attention. Now, as a government. ernment informant and a symbol of Wall Street greed, he is afraid to be recognized, A man whose fortune once exceeded \$100 million must mortgage property and works of art

to pay his taxes.

And yet, the daily routine of the country's most notorious white-collar criminal is in some ways little changed.

Before the charges were lodged against him, Mr. Boesky was legendary for his 20-hour work days. Even after the charges were disclosed, he continued to spend hours each day helping to sell off the remnants of his once-behemoth financial empire.

While awaiting sentencing, Mr. Boesky still comes regularly to his vast office suite to deal with lawsuits and other matters that have arisen since his guilty plea.

This working routine is part of an arrange-ment made between Mr. Boesky and the government last fall, a deal that has no prece-

On Nov. 14, the Securities and Exchange Commission announced that Mr. Boesky had paid the government \$100 million to settle charges that he traded stocks on the basis of confidential information about upcoming corporate takeovers.

It also was disclosed that Mr. Boesky had agreed to plead guilty to one criminal count carrying a maximum of five years in prison, and to provide investigators with fresh information about Wall Street corruption.

The SEC barred Mr. Boesky from the securities business for life. As part of the arrangement, however, the government agreed to



One person compared the removal of his office machines to a scene from 'The Wizard of Oz.' A curtain is pulled back, and the 'great and powerful Oz' is exposed as a two-bit carnival promoter.

suspend the ban so that Mr. Boesky could participate actively in the systematic sell-off of his complex stock portfolio. Without Mr. Boesky, his firm could have been forced into bankruptcy, perhaps causing more than \$1 billion of stock to be dumped onto the market

"I think we accepted the wisdom of allowing Boesky to be in there for some transition period," said the SEC's enforcement chief. Gary Lynch, "I think on balance it worked

For the dozens of employees who worked for Mr. Boesky's firm, its dismantlement was an emotional, often bewildering period. For Mr. Boesky himself, it marked the beginning of a difficult personal transformation.

On the afternoon of Nov. 14, Mr. Boesky, who was known as a stern and demanding boss, stood at the head of a marble conference table in his office on the 34th floor of his Fifth Avenue building and embraced his employees one by one.

Moments before, Mr. Boesky had told the dozens of executives and support staff gathered in the room that he had settled insider trading charges by paying the government \$100 million. He said that while the firm ultimately would be closed, it would be in business for the foreseeable future.

Mr. Boesky told his staff that the government had given him 18 months, or until early 1988, to complete the liquidation of his stock portfolio. He asked for everyone's support. He also asked his staff to remember "the whole Ivan Boesky," not just the bad part. "He said this in a strong voice," one em-

ployee recalled. Mr. Boesky was asked if he would be allowed to buy stock. Buying some stock while selling off his holdings would help Mr.

Boesky disguise the unloading of his \$1.2 billion portfolio. According to one person in attendance, Mr. Boesky replied, "Well, we can still buy, but we won't be doing any hostile takeover

That answer, delivered without apparent irony, was typical of the attitude that Mr.

Boesky displayed toward his legal problems during the initial weeks after his settlement was announced. He seemed to believe that not much of consequence had changed for him or for his firm. That afternoon, for example, Mr. Boesky

made telephone calls to investors in his partnership and directors of the public companies he controlled. He told some of them that while his accord with the SEC would strip him of the right to own a stockbrokerage firm, he hoped he would be able to work with them again some day, perhaps as an investor.
The people who heard him say such things

Neither Mr. Boesky's routine nor his tough See BOESKY, Page 19

thought that Mr. Boesky was being unrealis-

## Subroto Says **OPEC Needs Study on Dollar**

of Petroleum Exporting Countries needs to study an adjustment in crude oil prices, which are denominated in dollars, to compensate for the decline of the U.S. currency, according to Subroto, Indonesia's energy minister.

"But if we take it since December 1986, then it has depreciated by a mere 5 to 7 percent."

Mr. Subroto, a former OPEC chairman, said that the cartel also would have to decide whether such an exchange-rate adjustment.

energy minister.
"It is possible that we may discuss an exchange adjustment." Mr. Subroto said Saturday, although he noted that the proposal had not been placed on the agenda for the cartel's meeting in Vienna on

1986 crash to their current level around \$20 a barrel.

in OPEC, a reluctance to go back to the bad old ways," said Mehdi Varzi, an industry analyst with the London brokers Kleinwort Grieveson Securities, "The nightmare of the oil price crash is still very fresh

Oil analysts believe that the 13-nation cartel will, after some negotiations, agree to continue restraints on output to avoid flooding the market. A return to excess sup ply would put pressure on the \$18-per-barrel oil price that has been

Mr. Subroto said that one way to

There has been some suggestion

If OPEC discusses a pricing adjustment, Mr. Subroto said, "We our adjustment.

Thursday.
But oil analysts agreed Sunday that OPEC is unlikely to move to loosen its grip on world oil markets that helped prices to recover from a

'I detect a new sense of realism

in ministers' minds." maintained so far this year.

compensate for a lower dollar would be by linking crude prices to a basket of currencies, but he said that approach was "too difficult and complex."
"The other is to set exchange

adjustments that would compensate for the depreciation of the dolar." an idea "that needs to be studied again," he said.

that OPEC should raise its prices to compensate for a decline in purchasing power resulting from the dollar's weakness.

will have to first study together at which dollar value we should peg

"If it is since 1985, the dollar has

drastically depreciated," he said,

would begin immediately or be de-layed until December.

Rilwanu Lukman, the Nigerian oil minister and OPEC's current president, said he expected the Vi-enna meeting on Thursday to be short and calm. "We already have an agreement which may need only a slight review," he said.
"I myself believe that OPEC will

tend to take a position to strengthen the gains we have made so far." The Gulf Cooperation Council,

See OPEC, Page 17

#### Energy Agency Sees Scarcity of Oil in 1990s

The Associated Press

PARIS - The International Energy Agency warned Mon-day that world oil demand could exceed supply in the

In its latest annual report on the energy policies and pro-grams of IEA countries, the Paris-based agency also called on its 21 member governments to resist pressures for protectionist measures such as oil import taxes or other trade barriers that followed the fall in oil

Total primary energy demand is expected to grow rapidly in the next few years, then xpand at a slower pace in the 1990s, the report said.

Total energy demand in Western industrialized nations stood at just over 3.8 billion tons of oil and its equivalent in 1985, and could rise to between 4.6 billion and 5 billion tons by the turn of the century, the agency predicted.

#### U.S. Apartheid Activists Focus on Foreign Firms As Americans Pull Out, Target Switches

By Mark Potts Washington Past Service

of South Africa's apartheid poli- 1984, including 39 so far this year, cies, who have been making head- according to the Investor Responway in their efforts to get U.S. sibility Research Center, a Washcompanies to withdraw from that ington-based organization. nation, are turning their sights on a

will be a new focus on all compa- South African activists. nies in South Africa as the American withdrawal becomes more proment in South Africa.

"A number of companies from around the world, I think, will have operations in South Africa are to look at their presence, also, as dwarfed by the investments there public opinion develops around the of other foreign companies. issue," he said.

The broadening of the efforts to put pressure on South Africa comes nies have direct investment or emas Mr. Sullivan has taken his bardas Mr. Sullivan has taken his hard-est line yet on the issue, calling two Standard Chartered PLC, a British weeks ago for the complete with-drawal of U.S. corporations from

South Africa. It also coincides with an apparent quickening of the pace of pull-outs by U.S. companies. Citicorp, Ford Motor Co. and ITT Corp. announced last week that they planned to end their in-

11th largest.

(about \$793.000).

it and train black workers.

volvement. Nearly 150 U.S. companies have either left South Africa

Many have said they left for ecomuch tougher target; other foreign nomic or strategic reasons rather concerns with holdings there. My anticipation is that there has been put on them by the anti-

Nearly 200 major U.S. companies remain in South Africa, led by nounced," said the Reverend Leon Mobil Corp., which has more than Sullivan, a Philadelphia minister 3,000 employees there. Most say who has been a leader of the efforts they believe they can force South to reduce U.S. corporate involve- Africa to change its apartheid policies by working within the system. But the remaining U.S.-owned

> According to a report by the research center, 254 foreign compabanking company with more than

22,000 South African employees; Courtaulds PLC, a British paper and textile company with 14,260 workers there, and Royal Dutch Petroleum Co., which has 8,160 employees in South Africa and is See APARTHEID, Page 17

**Black Business Sees Progress** 

LEBOWA, South Africa -- Stockbrokers here are predicting that shares in Lebowa Bakeries Ltd. will be popular with white investors

when the bread maker debuts next month as the the first black-owned

Pothinus Mokgokong, the company's 64-year-old chairman, said that the listing showed that blacks were making progress, despite

South Africa's apartheid policy of racial segregation.

"It is a beginning, a breakthrough economically," he said Sunday.
Few blacks participate in the Johannesburg exchange is the world's

Lebowa Bakeries sells its daily production of 200,000 loaves in

Lebowa, 11 kilometers (nearly seven miles) from the Afrikaner town

of Pietersburg.
Around 2.3 million blacks live in Lebowa, one of 10 so-called

national states established by the government to remove blacks from predominantly white urban areas. Bread distribution is allocated, and

If the debut is successful, it will make Mr. Mokgokong wealthy by black South African standards. He holds 80,000 shares worth 75 cents

each, the offering price to the general public. The total offering is relatively small, at 2.15 million shares valued at 1.6 million rand

In the past five years, Lebowa Bakeries' net profit has risen 92 percent to 2.4 million rand and revenue 111 percent to 32 million. The president of the Johannesburg exchange. Tony Norton, said there was no apartheid on the exchange. "Any company that meets our standards is welcome," he said. "We don't discriminate." The company's 690 employees include 15 whites who help manage

Lebowa Bakeries gets 60 percent of the market.

In South African Listing

company to be listed on South Africa's stock exchange.

During its 130th financial year, the bank strengthened in particular its asset management activities, offering sophisticated portfolio management services from one of Europe's most attractive financial centers.

BIL introduced 30 new investment funds in 1986, bringing to 72 the number of funds domiciliated with the Bank (total net asset value per 31.12.86, Lfrs 315 billion (U.S.\$7.67 billion).

On the Eurobond market the bank acted as manager or comanager in 301 new issues (compared with 195 in 1985, and 70 in 1984) involving a total of more than U.S. \$ 17.22 billion. Particular emphasis was placed on the management of ECU bonds, where BIL is a world leader by virtue of its extensive experience. The total volume of ECU bonds managed and co-managed by BIL was ECU 5.11 billion (U.S.\$5.44 billion). The Bank also expanded its strong position on the secondary

The bank expanded its international presence by opening new moves into New York and Singapore.

Its wholly-owned merchant bank BIL (Asia) Ltd in Singapore and the newly launched BIL Suisse S.A. in Lausanne continued being active more particularly in the field of commission-generating business.

"recognized bank". In addition, the bank keeps significant stakes in Henry Ansbacher and Co. Ltd in London and in Banque de Gestion Privée in Paris.

private, institutional and corporate customers tailormade banking services through its own offices in key financial

#### Further international expansion

During 1986, Banque Internationale à Luxembourg (BIL) showed a further substantial improvement in its overall performance. Business volume increased by 16.4 % to reach 320.2 billion frs (U.S.\$ 7.8 billion), and net profits rose by 28.21 %. compared with 23.6 % in 1985. Reflecting BIL's ongoing efforts to expand and refine its service potential, non-bank customer deposits grew by 14.32 %.

BIL is Luxembourg's largest commercial bank and has exercised the right to issue banknotes since it's foundation in 1856.

market quoting daily prices for more than 300 Eurobonds.

representative offices in Tokyo and Frankfurt, following earlier

During 1986. BIL's London branch received the status of

The prospects for continued progress appear excellent. Based in Luxembourg, which is rapidly developing its scope of international banking and finance capabilities, BIL offers to

relationships, including the network of ABECOR, the world's largest banking group of its kind. For your copy of the 1986 Annual Report, please contact the

centers and worldwide through its extensive correspondent

head office in Luxembourg.

Financial Highlights						
- in Lfrs. million -	per 31.12.86 -	Lirs 100 = ±	U.S. S 2.4361			
	1984	1985	1986			
Net profit	522	645	827			
Distributed profit	260	357	47 <u>2</u>			
Net dividend per share	Lfrs. 280	Lfrs. 335	Lfrs. 380			
Gross Cash Flow	3,695	4,221	4.582			
Total assets	238,440	279,300	320,210			
Loans and advances	58,392	65,129	78,638			
Due from banks	128,235	149,107	148.983			
Due to banks	33,443	42,825	19,573			
Customer's deposits	182,744	205.875	235,350			
Own resources and provisions incl. borrowed capital	13,983	18,923	23.624			

\*) Net profit plus taxes on profit plus allocation for depreciation and provisions after deduction of the previously released provisions.

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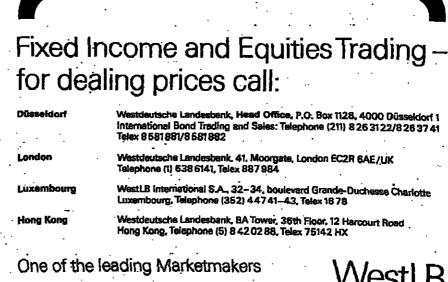


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#### New International Bond Issues Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup.	Price	Price end week	Terms
FLOATING RATE NO	TES					· · · · · · · · · · · · · · · · · · ·
Compagnie Financière de Crédit Industriel et Commercial	DM 255	1993	<b>V</b> s	100.05	99.90	Over 6-month Libor. Nancollable. Fees 0.15%.
NZI Capital	Y 10,000	1992	0.60	100		Below the Japanese long-term prime rate, semicroscolly. Noncollable, Foss 0.55%.
FIXED-COUPON	<del></del> -				-	
Alegon	\$100	1990	81/4	101	99,40	Nancollable. Fees 14%.
Prudential Funding	\$125	1994	874	1011/2	99.75	Noncollable, Fees 1%%.
Toronto Dominion	\$46.475	1989	9.83	98.584	_	Coupen will be 9.83% in 1987, 6% in 1988 and 6.314% in 1989. Fees 11%.
Malaysia	DM 150	1994	614	100	97.40	Nancoliable, Fees 21/%.
World Bank	ECU 100	1994	7V2	1011/4	99.88	Noncolable. Fees 13/%.
European Community	FF 500	1997	874	96%	92.50	Nancallable. Fees 2%.
Genossenschaftliche Zeintralbank	C\$ 75	1993	9%	101%	99.63	Noncafoble, Fees 1%%.
IBM Canada	C\$ 100	1992	91/2	1011/	99.25	Noncollable. Fees 1%%.
Société Nationale des Chemins de Fer François	<b>C\$ 90</b>	·1 <b>991</b>	9%	101%	99,50	Noncollable. Fees 197%.
GMAC Australia Finance	Aus\$ 50	1990	14	1011/5	99.88	Noncofiable. Fees 11/1%.
National Australia Bank	Aus\$ 50	1992	14	101¾	99.75	Noncafable. Fees 2%.
World Bank	Aus\$ 100	1992	13%	101%	100.00	Nancolable, Fees 13/%.
Belgium	y 50,000	1991	4%	1011/4	99.38	Noncolloble. Fees 1%%. Denominations 25 million yen.
Bergen Bank	Y 5,000	1992	_	10094		There will be no coupon in first year, then interest will be 3% in 2nd year, 5% in 3nd year and 7% thereafter, Noncollable. Fees 1966. Denominations one tallion year.
Korson Electric Power Company	Y 7,500	1993	41/2	10134	99.50	Collable of 1011/2 in 1990, Fees 1%%.
Lincoln Savings & Loan Association	y 7,000	1992	4%	101%	_	Noncollable, Fees 1976, Denominations 20 million yen.
EQUITY-LINKED						
Cosmo Securities	\$ 50	1992	open	100	101.25	Coupon indicated at 11/6%, Noncollable, Each \$5,000 note with one warrant exercisable into company's stores at an expected 25/7% premium. Fees 21/7%. Terms to be set June 24.
Glory	\$ 60	1992	1%	100	95.50	Nancolable. Each \$5,000 note with one warrant exercisable into contrary's shares at 3,895 yen per share and at 145,90 yen per dollar. Fees 24%.
Kansai Paint	\$ 60	1992	116	100	95.00	Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 507 yen per share and at 145.30 per dollar. Fees 24%.
Matsuya	\$ 50	1992	1%	100	-	Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at 1,323 yen per share and at 145.30 yen per dallar. Fees 244%.
Nikken Chemicals	\$ 50	1992	134	100	93.50	Nancollable, Each \$5,000 note with one warrant exercisable into contrary's shares at 1,353 yen per share and at 145.60 yen per dollar. Fees 214%.
Nippon Oil & Fats	\$ 70	1992	open	100	_	Coupon indicated at 197%. Noncellable, Each \$5,000 note with one womant exercisable into company's shares of an expected 297% premium. Fees 297%. Terms to be set June 25.
Pacific Dunlop	\$ 75	1997	6¾	100	99.50	Convertible at Aus\$5.76 per share. Fees 297%.
Pasco	\$ 85	1992	open	100	94,50	Coupon indicated at 116%. Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at an expected 216% premium, Fees 216%. Terms to be set June 23.
Tokyu	\$150	1992	%	100	96.00	Noncellable. Each \$5,000 note with one warrant exercisable into company's shares at 2,102 yea per share and at 145.60 yea per dollar. Fees 24%.
Toyama Chemical	\$ 50	1992	open	100	99.25	<u> </u>
Yamamura Glass	\$ 40	1992	open	100	97.00	Coupon indicated at 1%%. Noncollable. Each \$5,000 note with one warrant overticable into company's shares at any expected 25% premium, Fees 24%. Terms to be set June 22.
Bell Group	£75	1997	5	100	97.75	<del></del>
Wacoal	ECU 80	1992	11/2	100	97.50	Noncellable. Each 5,000-ecu note with one warrant exercis- able into company's shares at 1,323 yen per share and at 167.11 yen per ECU, Fees 24%.
WARRANTS						
Eksportfinans	0.20	1992	-	\$53	_	Warrants entitling holders to buy \$500 at a fixed exchange rate of $1.82\mathrm{marks}$ per deltar.

## EUROBONDS: As Deficit Festers, Confidence Flags: U.S. companies by such means as proposing stockholders resolutions, urging institutional investors to sell their stock in companies with

(Continued from first finance page) quote when terms are set Wednes-

One of the hardest hit or last week issues was Tokyu's. The company is involved in real estate development, retailing and recreation and had traded as high as 105 to 106 before the indicated coupon of 1% percent was cut to % percent. This is a record low, reflecting, in the view of many bankers, not the greed of the company but the muscle flexing of Yamaichi Securities, the lead manager. By the end of the

Insiders report that the warrants are not being sold. Including the strike price and below-market cou- ing and also because the monthly pons on the bonds, the effective domestic settlements system has the domestic bond markets.

By Carl Gewirtz

The first multi-option facility de-

nominated in guilders was launched on the international cred-

it market last week by Amsterdam-

Rotterdam Bank NV for a compa-

ny in the Thyssen-Bornemisza

pany of agricultural equipment in-

INTERNATIONAL CREDIT

terests, is seeking to raise 300 mil-

loan and half as a multi-option fa-

cility that will give Greenland vari-

ous means to raise cash through

The facility is to be backed by a

committed live-year revolving credit. An unusual feature is that

paid whether the credit is drawn or

not. Instead, there is a commitment

ings NV, a privately owned Dutch fifth or sixth year.

amount not used.

bids.

Greenland NV, a holding com-

ional Herald Tribine

ingly voiced that a classic speculative bubble is building in Tokyo, the latest warrants are largely being left with underwriters.

Many bankers expressed concern that the upcoming \$800 million issue for Toyota may break the market for equity warrant bonds. One Japanese source reported that the lead manager. Nomura Securities, intends to increase the amount to \$1 billion.

premium on this issues works out now been revised to a five-day bato about 30 percent. But with price- sis. Up to now, speculators could day. The paper ended the week trading at 101½.

earnings ratios of Japanese stocks buy and sell huge quantities of patrading at 101½. the payment date: the 25th of each month.

> The five-day settlements date is driving large numbers of speculators out of the market, adding to the weakness. As a result, the Euroyen issues for Belgium, Korean Electric Power and Lincoln Savings all traded outside the fees paid to underwriters.

This was true of virtually all the straight, fixed-rate debt issued last week. Both Canadian and Australian dollar bonds, which continue to attract retail demand in Europe, said Alison Cooper, an analyst for traded down following declines in

**Amro Bank Guilder Facility Is a First** 

term prime rate in Japan. The new

1988, and then 11/4 percent Eur-

The Bank of Greece will also be

tapping the yen market. It is nego-

tiating for terms on a 10-year loan

of 40 billion yen, equally divided

between fixed and floating rates.

oyen Libor is currently around 4

pletion of the project, expected in U.S. firms.

current long-term prime rate of 4.9 poration leaving.

three years and in two-year inter-refinancing of a 49 billion yen credvals rise to 25 and then 30 basis it for Hopewell Power China Ltd. points over Libor. Fees paid to banks underwriting \$25 million to-coal-fired power station in China. Alacan Australia named Swiss ank Corp. to arrange a \$100 mil
The portion being refinanced those governments will bring was originally a guarantee facility from Japan, whose terms were a those governments will bring the sure in turn on the companies are based, whose serious refinanced those governments will bring the sure in turn on the companies are based, whose terms were those governments will bring the sure in turn on the companies are based, whose terms were those governments will bring the sure in turn on the companies are based, whose terms were those governments will bring the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were those governments will bring the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, whose terms were the sure in turn on the companies are based, where the sure in turn on the companies are based, which is the sure in turn on the companies are based, where the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in turn on the companies are based, which is the sure in tal 71/2 basis points. fixed at a margin over the long- lieve that the influence of large U.S.

holding company, is seeking \$350 CIR will have one year in which million. This seven-year credit will to draw down the loan and the carry a commitment fee of ¼ per-commitment fee will be 6¼ basis

cent. Charges to draw on the loan, points. Interest on drawings is set

arranged by Citibank, start at 20 at 15 basis points over Libor.
basis points over Libor for the first In Asia. Citicorp is arranging the

percent

Bank Corp. to arrange a \$100 mil-lion note issuance facility. This will run for eight years, but underwritlion guilders, half as a domestic ers are offered the option to withdraw after five.

Participants will be paid an un-derwriting fee of 18% basis points and will be committed to provide asking a tender panel to submit credit at a maximum margin of 20 basis points over Libor. Front-end

Norske Skogindustrier AS, a there is no annual facility fee to be pulp, paper and timber company, is seeking a \$100 million, five-year facility against which it can issue fee of 1/2 percent, or 121/2 basis Euronotes. Banks are being asked points, to be paid only on the to underwrite a \$70 million backup credit that will carry an annual fa-To draw on this credit, the comcility fee of 10 basis points. Drawpany will pay 1/2 point over the ings on the credit will cost 121/2 London interbank offered rate, or hasis points over Libur and the hasis points over Libor and the

charge will to 20 basis points if

The domestic credit will run for more than half is drawn. veven years and also carry a com-Compagnie Industriali Riunite mitment fee of W percent. Drawing (CIR), Carlo de Benedetti's holdcharges start at % point over Libor ing company, appointed Citicorp for the first two years, 1/2 point over to arrange a \$200 million syndicatfor the next three years and & point ed loan. The credit will run for seven years, but underwriters have In the dollar market, SHV Hold- the option of withdrawing after the

U.S. Consumer Rates Tax Exempt Bouls Sood Seyer 26-Bond lades 743 9 Mosey Market Funds Donogoes's J-Day Average 6 19 S Bank Maney Market Acc Bank Rafe Monitor Index 5577 Hame Mortgood, FHILB oversee Source . New York Times.

#### **Bank Conference to Focus on Debt**

By Carl Gewirtz

HAMBURG - The world's leading commercial bankers open their annual conference here on Monday, focusing on the debt crisis, international monetary reform and the increasing risks incurred in payments between banks as the volume of interbank business ex-

"It's an opportunity for heads of hanks to get together and discuss issues," said Willard Butcher, chairman of Chase Manhattan Bank and president of this year's International Monetary Confer-

"We are interconnected," he said in an interview on Sunday, "We have got to take account of how our colleagues" look at problems and attempt to solve them. The object of the three-day meet-

The meeting, at which a number of central bankers will participate.

does not set policy.

ing, said Walter Scipp, chairman of Commerzbank, "is to look at prob-

the American Bankers Association. U.S. banks. Current membership in

the IMC is 109 banks. In Mr. Butcher's view, there are three overriding issues challenging commercial banks today:

The debt crisis. "We are a syshe said, which means that "the health and progress of each is dependent on the health and progress of the system as a whole." • The increasing risks incurred

in payments between banks. More than \$300 billion a day currently passes through the New York settlements system, giving bankers nightmares of what would happen if ever one bank failed to honor a transaction. • International monetary re-

lems and discuss possible solu-

The conference is arranged by and watch the economic damage wrought by currency rates that hear The restricted membership is even-ly divided between U.S. and non-tics" and do nothing about it. "Sooner or later we will need a

better system than the one we've got," he said.

On exchange rates, Mr. Butcher suid that "clearly, the dollar is in better relation than it was, at least against the Deutsche mark and

"But I would rather see further change in the dollar rather than a slide toward protectionism" he

He said that the world needed a period of exchange-rate stability, but added, "I suspect we may need the dollar to go lower over time."

The central bankers here, Paul A. Volcker, chairman of the Federal Reserve Board; Karl Otto Pohl, form. "We live within a system, the president of the Bundesbank; Robinternational monetary system." in Leigh-Pemberton, governor of the Bank of England; and Jacques Mr. Butcher said, "but the damn thing doesn't work, not when it de Larosière, governor of the Bank permits a massive misalignment of of France, will no doubt reiterate currency values for great periods of the message of their recent communiqués that exchange-rate stability 'In the long run, you can't sit by is a goal of all their governmen

#### Jacobs Says He Owns Big Block Of Gillette Stock

New York Times Service NEW YORK - Irwin L. Jacobs, the Minaeapolis investor has disclosed that he owns "a substantial" block of stock in

Gillette Co. The disclosure Friday is expected to touch off similar an nouncements by other investors and may even trigger a bidding war for the Roston-based make

It came a day after Ronald O. Perelman, chairman of the cosmetics company Revion Inc., said he was prepared to pay "at least" \$40.50 a share, or \$4.8 billion. Gillette rejected the offer before the day ended but did not assail the price as unfair.

of razor blades.

Mr. Jacobs refused to be spe cific about his holdings, but said that the amount was less than 5 percent. Traders estimated that he now holds at least 4 percent and would buy more.

#### **OPEC:** Dollar Issue

(Continued from first finance page)

which includes the key OPEC members Kuwait, Saudi Arabia, the United Arab Emirates and Qatar, said last month that it wants to continue with the \$18 oil price and the output limits that have been in force this year.

OPEC reversed the slide in oil prices caused by its huge overproduction when it set an effective overall limit of 15.8 million barrels per day and a target price of \$18 at a meeting in December in Geneva.

At the meeting, OPEC also set fixed prices averaging \$18 a barrel. The cartel also set a provisional ceiling for the third quarter of this year of 16.6 million barrels per day and of 18.3 barrels a day for the fourth quarter. Some analysis believe that those ceilings may be too

According to the International Energy Agency, the cartel's main problem is where to set a ceiling for this year, with world oil demand in the major industrialized countries expected to grow by little more than 1 percent. (Reuers, AFP)

## In Brazil, Car Sales Skid to a Halt

#### Industry Faces Crisis as Dealers Protest Rising Prices

SAO PAULO - Brazil's auto industry has not made a single domestic sale for several days. and several assembly lines will stop shortly, according to indus-

The auto industry, which is dominated by the subsidiaries of Volkswagen AG, Fiat SpA, General Motors Corp. and Ford Motor Co., has seen demand slumping for months as the country heads into recessi

But the problems intensified last Tuesday, when dealers decided to stop buying cars and trucks to protest high government taxes on vehicles. The previous week, the government had authorized a 33 percent increase in car prices to cover the industry's rising costs.

A spokesman for the Brazilian Association of Automotive Vehicle Distributors, Marcio Stefani, said that dealers felt their livelibood was at stake.

"Cars aren't selling because they cost too much," he said.
"It is a question of our survival. The price of cars in Brazil has reached an insupportable level."

(Continued from first finance page)

believed by some experts to have

the largest foreign investment

Others with major holdings in-

clude the West Germany automakers Volkswagen AG, Daimler-Benz

AG and Baverische Motoren

Werke; British Petroleum Co.:

Switzerland's Nestlé SA: and Unilever Group, the Dutch-British food

and drug conglomerate.

Activists in the United States

have been able to put pressure on

South African ties, and lobbying

for the enactment of laws hanning

state- and municipal-governmen

investments in or contracts with

companies with South African

However, pressuring non-U.S.

companies is more difficult. Only

36 companies other than those

from the United States have pulled

out of South Africa since 1984, ac-

Operating under different corpo-

rate rules, foreign companies are

less sensitive to outside pressures

than U.S. companies. "We've had

the shareholder pressure here that I

Royal Dutch Petroleum, for instance, refused requests to introduce shareholders' resolutions at

its annual meeting this year requesting that the company pull out

Activists are now trying another

tactic, using a Dutch law requiring

be called to discuss an issue if 10

nercent of the shareholders request

congressional action to put trade

sanctions on the nations in which these companies are based, so that

those governments will bring pres-

The activists also say they be-

companies that have pulled out of

Randall Robinson, head of

TransAfrica, a Washington-based

lohbying group, said the pullout by

"It's the largest American bank

SELECTED &SA/O.T.C. QUOTATIONS

Bitter Corp.

GoodMark Foods

MAG Haldings

Chiron

NAV-AIR

Spectradyne

BID ASK

14% 15

44% 44%

30% 31

3% 41/4

3% 3%

WITH COMPLIMENTS OF

CONTINENTAL AMERICAN

These are indicative prices as of June 18, 196

11% 1%

Mr. Sullivan is also calling for

that a special shareholders' meeti

don't think they've had overseas,

the research center.

of South Africa.

seven-year credit will bear interest South Africa will pressure foreign at 1% points over Libor until com-

The proceeds are being swapped Citicorp, the last remaining major into a new fixed-rate loan, with U.S. banking company in South Hopewell paying well below the Africa, was "not just another cor-

cording to the research center.

holdings.

A GM Opala Diplomata, he said, costs \$30,000 in Brazil, while an equivalent car in the United States would cost about \$10,000.

A spokesman for the National

Association of Automotive Vehi-If a boycott by dealers continues. manufacturers

say, layoffs will follow. cle Manufacturers. Fred Carvallo, said that if the trade's

boycott continued for another reek, there would first be collective holidays then layoffs. A spokesman for Ford Brasil said it would tell about half of its

21,000 work force to take holi-

APARTHEID: U.S. Activists Focus on Foreign Firms

porations in the world;" he said, "with \$700 million in outstanding

He suggested that Citicorp's de-

parture would put pressure on oth-

nificant source of funding for South African buyouts of U.S. in-

ticorp, Ford and ITT came less

than two weeks after Mr. Sulliva

took his hardest line yet on involve-

Previously, Mr. Sullivan had

promulgated a group of guidelines,

known as the Sullivan Principles

that called for U.S. companies op-

erating in South Africa to maxi-

mize opportunities for blacks and

to oppose apartheid in other ways.

But earlier this month, Mr. Sullivan

said he had concluded that that

doctrine was not working and called for all U.S. companies to

The three companies said their decisions had nothing to do with

Mr. Sullivan's change of position; they appeared to have made deci-

South African economy.

But activists say other compa-

nies are reconsidering their South African stands in light of Mr. Sulli-

"I think you'll see a quickening

based on the deteriorating

loans in South Africa."

ment in South Africa.

leave South Africa.

van's statement.

and one of the largest financial cor- of the pace of corporate depar

er companies by eliminating a sig- be tremendous force on others that

days from June 29 to July 13. Fiat said Thursday that it would give 2,000 workers a month's vacation, from July 6, halting production for the do-

mestic market.

Mr. Carvalho said the industry was producing 3,500 vehicles a day, below its 1986 average of 4,700 and capacity of 5,100. During last year's price freeze, known as the Cruzado Plan, de-

mand for cars outstripped sup-Today, with inflation run

at an annual rate of around 1,000 percent and a new austerity plan being put into place, demand has all but disappeared.

Domestic car sales during the

first five months of this slipped to their lowest level for a decade, at 241,632, compared with 382,182 a year earlier. However, exports are boom

ing. Sales abroad in May totaled \$242 million, a record. The auto industry is critical of the way President José Sarney's government has handled the

Wolfgang Sauer, president of Volkswagen do Brasil, said the government had created a "crisis of confidence.

Last month Volkswagen said it would postpone indefinitely nts of \$150 million planned for this year.

And Mr. Sullivan said, "A sub-

stantial number of companies will

have exited from South Africa

within nine months, and there will

remain — unless the South African

government begins to make sub-

NOTICE OF DEPAULT

To The Holders of

CSWI International Finance N.V.

Debentures Dan 1898 (the "Debentures")
The undersigned. Bankers Trust Company is the Trustee under the Indendure dated as of May 15, 1981 (the "Indendure") pursuant to which the Debentures were issued. Please he advised that (i) an Event of Default exists under the Indendure in that CSWI International "Finance N.V. did not make the annual payment of interest on the Debentures due on May 16, 1987 and (ii) a default exists under the Indenture in that Banz Texas Group Inc. (for morely named Commerce Southwest, inc.), as guarantor of the Debentures, did not make such payment as guarantor.

To facilitate further communications regarding this matter, holders are urged to make the Trustee to the Trustee by writing to the Trustee at the address insect below and stating that such person is a holder of the above-mentioned Debentures.

BANKERS TRUST COMMANY

MERIODED DECEMBERS
BANKERS TRUST COMPANY
As ladedur Truste
Corporate Trust and Agency Group
P.O. Bux 318
Church Street State
New York, New York 10815
Telephone No. (212) 250-6525

stantial changes.

The annual report for the year

#### Leveraged Capital Holdings N.V.

has been published and may be obtained from

PIERSON, HELDRING & PIERSON N.V.

Amsterdam



Interested in our Mutual Fund:

SCANFONDS INTERNATIONAL **GROWTH FUND.** 

quoted in Luxembourg.

691 Sentrum, 0106 OSLO 1, Norway, Tel.: 47.2.428555-

#### INTERMARKET FUND 1 Société Anonyme

bourg, 11, Bid. Gde. R.C. Lexembourg B-8622

ANNUAL GENERAL MEETING of shareholders of INTERMARKET FUND 1.S.A., to be held at the hotel of Banque Internationale à Luxembourg S.A., 2, Boulevard Royal, Luxibourg, on July 10, 1987, at 10:00 a.m. with the following

**AGENDA** 

1. Hearing and accepting the report of the Board of Directors and of the statutory auditor;
2. Approving the balance-sheet and profit and loss account as of March 31, 1987 and appropriating the results;
3. Discharging the directors and the auditor for the period ended March 31, 1987;
4. Sections and the statute of the period ended to the perio

Statutory appointm

The shareholders are advised that no quorum is required for the statutory General Meeting and that decisions will be taken at the majority of the shares present or represented at the meeting with the restriction that no shareholder neither by himself nor by proxy can vote for a number of shares in excess of one lifth of the outstandin present or represented at the meeting.

In order to take part at the meeting of July 10, 1987 the owners of heater shares will have to deposit their shares five clear days before the meeting at the registered office of the fund.

The Board of Directors

# GROUPE REDOUTE

Dated: Jone 22, 1987

#### EXTRACTS OF LETTER TO SHAREHOLDERS. FROM MR. PATRICK POLLET, PRESIDENT.

I am pleased to be able to confirm that your company has achieved its objectives for the 1986-1987 fiscal year.

We have pursued our policy of financial reconstruction. For this reason we were able to accept the offer of purchase made to us by the Premanum Group. This year was also marked by the closer relationship with the company. Au Printemps S.A.

Consolidated rales turnover for 1986/1987 amounted to E.Fr. 11.297 million, including taxes, compared with F.Fr. 10,274 million, being an increase of 10% for comparable data.

paramer case. trading results rose strongly to F.Fr. 329.1 million, against F.Fr. 200

million.

Net consolidated profits reached F.Fr. 220.6 million, and include appreciation of F.Fr. 34.4 million in transfer of Premaman shares. Excluding this appreciation, the total curses to F.Fr. 136.2 million, against F.Fr. 37.9 million last year, also for comparable data.

'La Redoute S.A.', showed a pre-tax trading result of F.Fr. 78.7 million

(+ 2.4%).
After exceptional items such as appreciation on the transfer of shares mentioned above and debts written off, not profit reached F.Fr. 105.8 million, against F.Fr. 30 million for the previous facal period.
Reducte Catalogue business resulted in tax-inclusive sales of F.Fr. 8,977

F.Fr. 30 multion for the provious vacua persons. Redoute Catalogue business resulted in tax-inclusive sules of F.Fr. 8,977 million (+ 10.2%), prestax profits of F.Fr. 298 million (+ 20.4%) and a net profit of F.Fr. 136 million (+ 25.2%). Vestro-S.I.A.D., which runs the vatalog sules operation in Italy, as well as apevialized stores in Italy, Spain and Germany, achieved consolidated sules of I. 442 hillion and a net profit of 3 hillion line, compared with 111 million for the

The range of financial services provided by the companies Financi. Reducted Assumance and Compagnies Is Cheir one a very antidactory growth in business during 1986. Total financing granted and premiums collected approached F.Fr. 3 billion.

P.F. 1. Delicot.

At Editions Rombuldi, the trading period was marked by disengagement from representative distribution and confirmation of the profitability of mail order.

Sales amounted to F.Fr. 230 million (+ 4.5%), with a net profit of F.Fr. 22 million, following substantial provisions for depreciation of stocks and smalry risks.

In conclusion, I should inform you that the general assembly, which will be held July 22ml, will be asked to approve a dividend of F.Fr. 52, compared with F.Fr. 44, this representing a global distribution of F.Fr. 63.18 million, against F.Fr. 51.9 million in 1985/1986.

Finally, with organi to the current trading period, and taking account of a forecasted showing down in character consumption, as well as a very competitive trading environment, we hope to achieve an increase of 8% in sales, accompanied by further increased profile.

#### **GESTION OBLI-YEN S.A.** Société Anonyme 10A, boulevard Royal, LUXEMBOURG AVIS AUX PARTICIPANTS DE OBLI-YEN CONVOCATION À L'ASSEMBLÉE GÉNÉRALE EXTRAORDINAIRE

Les participants de Obli-Yen sont priés d'assister à l'Assemblée Cénérale Extraordinaire qui se réunira le mardi 30 juin 1987 à 15 h 30 afin de délibéree, dans le cadre de l'article 36.2 de la loi luxembourgeoise sur les organismes de placement collectif, sur l'ordre du jour suivant:

l) Transformation du fonds commun de placement Obli-Yen par constitu transformance de transcrevent à cupital variable tel que ce régime est fixé por le chapitre II de la loi du 25 août 1983 rélative aux organismes de placement collectif, par apport de tous les actifs et toutes les obligations du fonds commun de placement Obli-Yen à la société d'investissement à capital variable qui prendra la dénomination 'Obli-

Adoption des statute de la société d'investissement à capital variable

limission des artions de la société d'investissement à capital variable hmission des artions de la sociere o investissement a capital variante. Obli-Yen à raison d'une action A qui distribue les dividendes ou B qui capitalise les dividendes de la SICAV, au choix de l'actionnaire pour chaque part du fonds commun de placement Ohli-Yen, et fixation des modalités d'échange des certificats.

Désignation des membres du conseil d'administration et du commissaire aux complex et expert indépendant.

Votre attention est attirée our le fait que l'assemblée organisée dans le catire de l'urricle 30.2 de la foi du 25 août 1983 peur valablement délibérer quelque suit le quorum réuni. Les différents points de l'ordre du jour des ront être approuvés par les deux tiers au moins des participants présents

Les participants de Obli-Yen dans l'impossibilité de participer en personne sont priès de se faire représenter en déponant leurs titres auprès d'un établissement bureaire et en adressent leur procuration accompagnée du certificat de bheuge de leurs titres au siège social de la sociéé de gestion pour au plus tard le 24 juin 1987.

Les formulaires de procussion sont disponibles au siège de la société de

erstonet auprès de l'action son disponities no siège de la corièré de graine et auprès de .

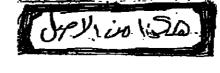
— Banque Paribas (Luxembourg) S.A. 10A. boulevard Royal, Luxembourg,

— Banque Paribas Suisse S.A., 2, place de flollande, Genève,

— Banque Paribas, 3, rue d'Antin, Paris.

Des convacations et des formules de procuration out été envoyées à tous les actionnaires nominatifs inscrite au 9 juin 1987.

Pour le Conseil d'Administration, J. Piernon Directeur (Jénéral



**NASDAO National Mark** OTC Consolidated trading for week ended Friday. Mutual Unified Magnant:
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INTERNATIONAL HERALD TRIBUNE, MONDAY, JUNE 22, 1987

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# BOESKY: From Bravado to Ostracism: America's Best-Known White-Collar Criminal Dismantles His Stock Empire

(Continued from first finance page) Continued from first finance page)
management style changed appreciably during this early period.

After the stock market opened back. Many were torn between feelings of betrayal and loyalty, bit-terness and compassion. One executed of the school's library. teach day, Mr. Boesky would stand in his office, watching his stock market opened unive regularly arrived at meetings late, and with his tie undone, a mained mentally alert, people around screens Fach of the school's library.

Into the winter, Mr. Boesky remained mentally alert, people around him said, but his physical soon screens Fach of the school's library. sion screens. Each of the employees
in Mr. Bocsky's fall.
The repeated tardiness appeared pad his own screen on which he could see Mr. Boesky, but only if Mr. Boesky wanted it that way.

At the firm's morning meetings his employees' lives.

The repeated tardiness appeared to rattle Mr. Boesky, but he had no recourse. He no longer controlled work sometimes were frayed.

There was pressure building on the many cides Press reports.

peak of about 100.

Still intense and driven, Mr. Boesky sometimes had brief fits of rage. One person who attended a meeting in early December recalls Mr. Boesky demanding a staffer who had failed to complete an assigned task. How does it feel to be like only person in this room who has done anything wrong? The

been tolerated in the days before appearance began to deteriorate. Always lean, he became thinner to

Mr. Boesky continued to demand icyalty and hard work from his staff, even as the number of his employees began to dwindle from a peak of about 100.

Indice was pressure outstaing of him from many sides. Press reports that he had secretly taped conversations with his Wall Street collegues contributed to a public perception that Mr. Boesky had ratted on his friends.

of \$640 million in March to bondwell. The Jewish Theological Semi-nary in Manhattan had been one of Mr. Boesky's favorite charities; in supervising the stock sell-off. By March, the portfolio had

Sales In Net 1006 High Low Close Ch'ga

#### Check Fraud at Shearson

NEW YORK - Shearson Lehman Brothers has said it is trying to recover about \$19 million from Mark A. Stahl, a former senior vice president who has pleaded guilty to checking-account manipulations that allowed him to divert company funds into his own outside accounts and investments.

Shearson declined to specify the steps it was taking in seeking restitution or how much of the money it expected to recover. Mr. Stahl, 45, was arrested April 24 and charged with transferring about \$19 million from Shearson to bank accounts in New Jersey,

cticut, and the Bahamas, and to gasoline and fuel oil companies in which he had invested. He pleaded guilty Thursday in U.S. District Court in Manhattan to

charges relating to four transactions covered by federal wire-fraud statutes. He faces a maximum penalty of 20 years in prison and \$1 million in fines. His sentencing was scheduled for Dec. 9 to give him time to try to strange tax payments and restitution to Shearson.

Herve Gouraige, the assistant U.S. attorney who has handled the case, said that Mr. Stahl was the only person charged in the matter.

been reduced from about \$1.2 bil-lion to about \$80 million. On May tried to shift his attention to peo-20, the SEC formally barred Mr. ple, he was sometimes rebuffed.

Boesky from the securities business for life. Mr. Boesky finally was without a ident of the United Jewish Appeal most of his days standing before carnival promoter from Kansas.

At one point, he contacted Ernest W. Michel, executive vice pres-

sued by a person awaiting sentenc- his chin.

ing, in part to influence the judge. Mr. Boesky had been a major contributor to United Jewish Appeal and had served as its fundraising chairman in the past.

Mr. Michel gave Mr. Boesky a list of agencies supported by UJA.

What he wanted to do was be, say, "What he wanted to do was be, say, when he goes to the office. But his in a hospital or in an old-age suite is like an empty hull. The people familiar with the transaction, Mr. Michel said recently. electronic ticker is gone, and so is "From what I understand, they the Organical and State of the control of the people familiar with the transaction, Mr. Boesky borrowed \$2 mil-"From what I understand, they

turned him down." As the trappings of Mr. Boesky's wealth and position have slowly been stripped away over the past seven months, those who know him well believe that they see a change. In the days before his fall, Mr. Boesky sometimes seemed to be an extension of the elaborate technology in his office: the human component of a dazzling, money-mak-

Built into his desk was a switch-

in New York, to inquire about par-ticipating in volunteer work. Such community service typically is pur-two or more phones cradled against

Behind him was a bright, electronic ticker tape displaying stock retained after paying the govern-trades. There also was the system of ment \$100 million was not readily screens and cameras that allowed convertible to cash. As April 15

him to survey his employees. These days, Mr. Boesky still works behind his oversized desk

the Orwellian video system. lion from his wife, Seema, in
The huge switchboard in his desk to pay his income taxes. remains - Mr. Boesky owns it but only a handful of the 160 phone disappeared, people close to him

tines are still connected.

One person close to the Boesky organization said that as the office machinery was carted away, the sking those around him what it visible for the first time.

This person compared the trans- seem to be a happy, stable person: formation to a scene near the end what is it you do that makes you of the film "The Wizard of Oz," so?" when the curtain is pulled back and board with 160 direct phone lines the fire-breathing, "great and pow-to brokers and traders. He spent erful Oz" is revealed as a two-bit

Although the 50-year-old specu-lator has hardly been forced into the poorhouse, there are signs that he is struggling with his personal finances. Much of the wealth he

have enough cash available to pay his considerable tax bill.

tion, Mr. Boesky borrowed \$2 mil-lion from his wife, Seema, in order Mr. Boesky's bravado has largely

real Ivan Boesky seemed to become takes to be happy. He has been visible for the first time.

For all the time he spent on the telephone, people close to him say, Mr. Boesky never cultivated many deep friendships.

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# the only person in this room who has done anything wrong? The person said there was no apparent irony in Mr. Boesky's voice. announcement of the charges against him. There were personal setbacks as well. The Jewish Theological Seminary in Manhattan had been one of In quiet ways, some of Mr. Mr. Boesky's favorite charities; in Bocsky's employees began to fight December, JTS expunged "The NASDAO National Market OTC Consolidated trading for week ended Friday. Harmoc Ha 製品

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59 Fast planes 62 Sevilla-co-Cor-47 What Ruth was to Gehrig doba dir. New York Times, edited by Eugene Maleska

#### **DENNIS THE MENACE**



"MARGARET'S NOT ONLY PUSHY, SHE'S PULLY, 100!"

JUMBLE THAT SCRAMBLED WORD GAME
by Henri Arnold and Bob Lee POASY MARFE **YORRAS** BEING DEAD? **ENCOUB** Now arrange the circled letters to form the surprise answer, as 50g-gested by the above cartoon.

(Answers tomorrow Jumbles AIDED CRAZY RANCED EXCITE Answer: What they did when that men fell off the norse.—"DE-RIDED" HIM

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#### **SPORTS BRIEFS**

#### World Cup Golf Revived

SAN FRANCISCO (Renters) — The World Cop of golf, with two-man teams from 32 countries, will be renewed this year in Hawaii, the International Golf Association announced. The tournament will be held November 18-21 at Kapalua, on the island of Maui. Organizational problems caused the cancellation of last year's tournament.

#### America's Cup Search

SAN DIEGO (AP) - The search for a committee to decide where the next America's Cup yacht races will be held is starting over because of a misunderstanding between the two

The Sail America Foundation believed some of its nominations had been pre-approved by the San Diego Yacht Club, an arbitrator said Friday.

#### For the Record

**PEANUTS** 

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BLONDIE

BEETLE BAILEY

WHAT'S THIS,

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WIZARD of ID

**REX MORGAN** 

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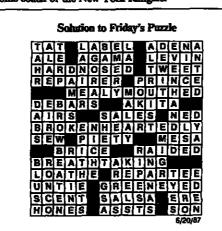
IT'S A VERY SOMBER

OCCASION, SIR

Greg LeMond, who was injured in a hunting accident two months ago, will compete in the Coors bicycle race in Hawaii

Andre Savard, 34, who ended his 12-year NHL career with the Quebec Nordiques in 1985 and since has coached their American Hockey League affiliate, was hired as the Nordiques' coach to replace Michel Bergeron, who quit Thursday to become coach of the New York Rangers.

(AP)



SOMEONE FROM THE

JUST CALLED...

BASEBALL MAGAZINE

## Successful World Cup Assures a 2d for Rugby

Blacks have considered themselves unofficial world champions, with plenty of justification on the strength of their performances around the globe. In the cup final they left no room for argu-ment as their powerhouse pack paved the way for a crushing victory.

It was an excellent ending to the month-long, 16-nation tournament, with New Zealand, the Southern Hemisphere's traditional power, pitted against the best from the north, the Five Nations champion France. But the tournament's success had al-

ready been assured. There was a guaranteed profit from an income of about \$10 million, according to Dick Littlejohn, the World Cup director. And, an estimated audience of more than a billion people in 18 countries watched televised games. But above all else, the 32 games played in New Zealand and Australia had, with few exceptions, delivered a high standard of performance and entertainment

that assured the tournament's future. Even before the competition had swung into the single-climination quarterfinals, enough drama had been gencrated to prompt John Kendall Carpenter, chairman of the tournament committee, to set the date for the second World Cup, in the Northern Hemi-sphere in 1991.

REALLY? DO YOU

THINK THEY WANT

AN INTERVIEW?

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BEETLE IS PUTTING

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SERIOUS?

Agence France-Presse There will be changes, possibly in-AUCKLAND, New Zealand — The change expansion of the tournament to New Zealand All Blacks finally have reach more of the 100 or so countries won the right to call themselves rugby that play the game and the introduction champions of the world. that play the game and the introduction of a competition for first-round losers. Before an adoring home crowd at That would mean that the eight teams Eden Park, they defeated France, 29-9, that went home after the round-robin Saturday in the final of rugby's first eliminations this year would still be World Cup, with All Black standoff involved until the end. They were Ja-Grant Fox scoring 17 points. He was pan the United States, Canada, Tonga, easily the tournament's most prolific Italy, Romania, Zimbabwe and Argentance. scorer, with 126 points in six matches.

For most of the century, the All first-round casualties.

The All Blacks' record defeat of Italy, 70-6, on the opening day of the tournament set the pattern for some punishingly high scores against the rugby min-nows. But even the one-sided affairs, such as Scotland's 60-21 thrashing of Zimbabwe, appealed to the crowds. They got what they came for: speed and plenty of tries.

There were disappointments, for Argentina, Romania and Australia in particular, and triumphs, for France, Fiji and the United States. And there was triumph wrestled from disaster by Wales, which beat Australia, 22-21, in the match for third place after a smorting 49-6 loss to the All Blacks in the semifinals.

Also on the negative side, there were a spate of injuries. And there was in evidence for the first time the kind of tactical gerrymandering normally associated with professional sports.

But rugby followers can relish the most successful aspect of the whole venture: The gathering of teams from so many countries for the first time, many of whom had never played each other before, is certain to strengthen the game internationally, while the media exposure and financial success will make expansion almost certain.

@\*®* 

NO, THEY SAID

YOUR SUBSCRIPTION

,HAS RUN OUT...

ISEE, I TOLD YOU !!



All Black captain David Kirk evaded a tackle by Patrice Lagisquet left, en route to a try during New Zealand's 29-9 defeat of France.

ment, whatever the opposition, and the minds about New Zealand's legitime.

All Blacks proved more than a match for right to the world title.

worthy world champion in the All the challenge. Only the absence of South Blacks. Winning six tests, all convincing ly, in four weeks is no minor achieve-racial policies, will leave doubts in some

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#### WORLD STOCKS IN REVIEW / Via Agence France-Presse

#### Amsterdam

The Amsterdam stock exchange was sturned last week by news that the publishers Kluwer and Wolters Samson were holding merger talks following a bid for Khwer by Elsevier, the second-biggest Dutch publisher.

Attention was focused on publishing stocks throughout the week, and volume in the sector

were substantially higher.

The other major influence on the exchange was the gradual vise in the dollar's value. By the end of the week, prices descended as calmer conditions prevailed and profit-taking set in. International issues remained generally firm. The ANP-CBS general index ended the week

at 297.4, up from 289.9 the previous week. Total volume for the week was 6.497 billion guilders, down from 4.22 billion.

#### Frankfurt

The Frankfurt exchange staged a good re-covery last week in active trading despite holi-days on Wednesday and Thursday: Operators attributed the recovery more to technical factors than to basic trends.

The dollar's strength, which brightened prospects for West German exports, was a positive factor. For the first time since the start of May, the Commerzbank index finished the week above the 1,800 mark, closing Friday at 1,858.4. That close compared with 1,756.0 at the end of the previous week, which was shortened by a holiday.

Bank stocks were up, with Dentsche Bank gaining 69.50 Deutsche mark to 641.60. Autos were also very fura, with Daimler-Benz up 72 to 1,089, VW up 18.80 to 269.30, and BMW rising 16.90 to 650.00 DM. Chemicals and department stores scored well.

#### Hong Kong

6-22

MEPIDONTEVEN L CHOW HIM - ITHOUGHT HE WAS WITH YOU -

COUDSE

POLLUTING THE

The Hang Seng Index continued to gain ground in volatile trading on the Hong Kong stock market last week despite a heavy correction Thursday to the recent bull run.

The leading market barometer put on 35.76 points over a holiday-shortened week to close Friday at 3,165.64, while the broader-based Hong Kong index gained 22.74 to 2,045.97.

Overseas investors kept the bulls running after a long weekend, despite determined efforts by big local traders to sell short as the Hang Seng Index approached the psychological 3,200-point barrier.

The index hit new highs of 3,170.88 on Tuesday and 3,178.62 on Wednesday, up from the previous record of 3,129.88 on June 12, as fresh overseas money flooded the market, bro-

#### London

Extensive profit-taking on the London Stock Exchange columnated Friday in the biggest one-day decline in more than two months after record highs earlier in the week. The Financial Times industrial shares index closed down 9.6 points on the week at 1,758.3.

Economic indicators released Thursday on inflation and a disappointing response from overseas investors to the Jane 11 election result contributed to the decline, wiping out early exphoria over the Conservative victory.

Underlying sentiment nevertheless remains steady, and a major shamp is not expected, dealers said.

The Milan stock market reacted favorably, though cantiously, last week to national elections, rising 1.9 percent from the previous week's closing level. The Comit index finished the week at 711.40, up from 697.78.

The 2.6 percent jump posted Tuesday was followed by quieter sessions as operators realized that the stability in Parliament did not necessarily mean that a government would be quickly formed, as desired by industrial and financial circles. Volume was 147 million shares, up from 100

million shares the previous week.
Fiat stock rose 3.9 percent following rumors that Fiat would float a bond issue to cover the purchase of Libyan shares.

#### Paris

Prices on the Paris Bourse dropped again last week despite increases on many other markets. Stocks suffered particularly from poor French trade figures for May. The CAC index closed at 400.6 on Friday

compared with 409.7 the previous Friday. The instantaneous trend indicator dropped to 99.4. below the 100-point level, at which it is set each Jan. I, for the first time in four years.

Investors are beginning to suffer. Stocks lost more than 8 percent of their value in May and have lost more than 5 percent so far in June. The market is suffering from substantial calls on available funds as a result of many secondary market listings, privatizations and capital increases. Foreign investors sold last week after release of the trade figures.

#### Singapore

Bouts of profit-taking toward the end of the week reduced much of the earlier gains reconfied on the Singapore stock market.

The Straits Times industrial index added 10.26 points to close the week at 1,237.39. Volume was about one-third lower than the previous week at 243 million units.

The debut Thursday of Sembawang Maritime was the highlight of the week. It traded actively to a high of 3.52 and closed at 3.16. compared with an issue price of 1.80. Nearly 8 million shares changed hands in read days of

#### Tokyo

Share prices phunged on the Tokyo Stock Exchange in turbulent trading last week with the key market indicator, the Nikkei Stock

average, posting a 605.19 yen loss.

The 225-blue chip Nikkei average, which gained 577.97 yen the previous week closed gamen 51:51 yen the previous week, closed Friday at 25:288.12 yen, plunging 462.43 yen from Thursday's finish.

Average daily volume was 963.4 million shares, up from 886.7 million the previous

The market got off to a bad start Monday with institutional and corporate investors in a bearish mood because of the high price levels. Investors returned to the market in a more confident mood Wednesday, buoyed by Wall Street's strong performance, and pushed the Nikkei average to an all-time high of 25,929.42

Profit-taking set in Finday, prompted by reports that the government would sell Nippon Telegraph and Telephone stocks at around 2.5 million yen a share in the second tranche in

Analysts said that Friday's decline would have little effect on the market's bullish mood.

#### Zurich

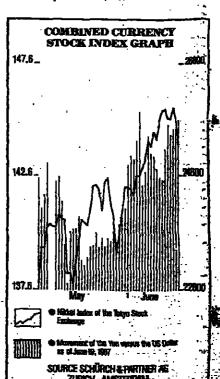
The Zurich stock exchange had a good week. Foreign investors focused on blue chips, and many stocks posted gains.

The Credit Suisse index rose to

against 512.5 the previous Friday, and Société de Banque Suisse's general index rose from 601.9 to 625.3.

Trading was lively because of the dollar's stabilization. Investors focused on blue chaps: among the banks, chemicals, and pharmaceuti-Laboration of the control of the con

to 4,675. Financial companies performed well, especially Oerlikon-Bührle, up 75 to 1,235. Insurance and food companies were also higher, and chemicals had sustained strength. Sundoz was up 300 to 12,000.



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#### **SPORTS**

# Watson Leads U.S. Open By 1; Rookie Ties Mark As Other Stars Falter

By Gordon S. White Jr. New York Times Service
SAN FRANCISCO Tom watson, who won the U.S. Open in

No longer were his closest competitors among the biggest names in golf, as they were Friday when the longer were record for the land when the longer were record for the land when the l two rounds with Mark Wiebe and for sub-par scores in one round, only

The cond with six-under 64.

"During practice Wednesday those who fell back, shooting 77-214.

The lead Friday. And, Wiebe joined those who fell back, shooting 77-214.

Watson, Nicklans Advance

Watson, Nicklans Advance

Earlier, United Press Internationbroke eight feet from right to left. al reported:

Watson, who beat Nicklaus by two shots in the 1982 Open after his famous chip shot into the hole at the 17th on the final day. As the part of third hole and posted a 65 that put him at 137 for 36 holes. not won since the Western Open in an eagle en route to his 67. July 1984, when he beat Greg Norman of Australia on the fifth hole of

a sudden-death playoff. "I haven't really had a very good chance to win a golf tournament this year," Watson said.

And, while many of the other mighty golfers faltered. Lennie Clements moved up with a 70 to hold fourth place at 210. Then came a bunch of big names, at 211: Seve Ballesteros of Spain, who had 68; John Mahaffey and Larry Mize, recent winner of the Masters; Crenshaw, Thorpe and Langer of West Germany. Curtis Strange, who ea-gled the par-4 ninth hole with a 160yard (146-meter) seven-iron shot, was in a group of 10 at 212.

Clearwater, a rookie, recently won his first PGA Tour title, at the Colonial National Invitation, with a tournament record-equaling 14-under 266 on one of the best courses used by the tour. Now he has three rounds of 64 this year, having posted successive 64s on the final day of the Colonial National, May 17, when Colonial National, May 17, when former Open champions Fuzzy two rounds had to be played in Fort Zoeller (152), Hale Irwin (150) and Worth Texas, because a storm wiped out the third round.

His six-birdie, no-bogey round Saturday tied the record 64 shot at Olympic by Rives McBee in the second round of the 1966 Open, which eventually was won by Billy Caspar in a playoff with Arnold Palmer. This also was only the fifth round of 64 ever shot in an Open; there have been three of 63, the lowest score in Open history.

Clearwater's victory in Fort Worth almost cost him his chance to play in this Open because he stayed up until 3 A.M. celebrating. He had to get up at 5 to make his tee time for the local, or firs, stage, of qualifying competition for the Open.

Saturday, he birdied two of the most difficult holes on the course. 16 and 17. The par-5 16th is the longest hole on the course and, at 609 yards, one of the longest ever used in an Open. Ballesteros jokingly called it a par-6 hole.

Clearwater hit a driver off the tee, then a driver from the fairway reached the green and used a wedge to get 15 feet past the cup, but sank that putt for the birdle 4.

Watson, who won the U.S. Open in the last three years, sank a shoppery 15-foot (4.5-meter) downstable a one-shot lead into Sunting y final round of the 37th Open.

No longer were his closest com-

But just a day after 24 golfers broke par 70 to tie an Open record had Jack Nicklaus, Bernhard Lang10 broke par Saturday. Nicklaus and et, Ben Crenshaw and Jim Thorpe, among others, on his heels.

Tommy Nakajima of Japan were among those who did not. Nicklaus, a The 37-year-old Watson, who shot off the lead Friday, ballooned to started in shaky fashion Saturday 76 and was virtually out of contenwith three bogeys in the first four holes, finished with one-over-par 71 and, at 208 was a shot ahead of Scott Simpson, who carded 70, and rookie Keith Clearwater, who tied the character of the lead Friday. And Wiebe joined

Earlier, United Press Internation-

And we were knocking it six feet by when we hit it well and 35 feet when we didn't. So today I was just trying to get the ball close and it

Watson rolled in a 50-foot putt 17th on the final day, has two Mas-Wiebe, a two-time winner in his ters victories, five British Open titles four years on the tour, sank a 140and 36 victories as a pro. But he has yard wedge shot at the 12th hole for

Nickiaus, seeking a record fifth Open title and his 21st major championship, shot 68 and said, "The U.S. Open always motivates me. When I got bere this week, I was as down as I've been in a long time about my game. I don't like to display my game when I'm playing poorly."

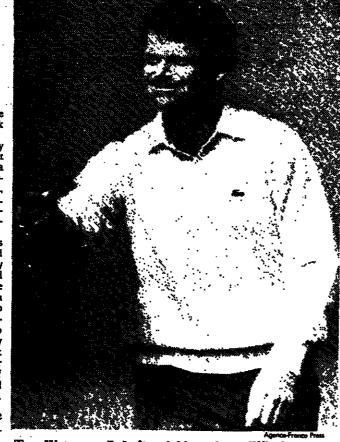
Joining him at 138 were Langer

Nakajima, Thorpe and John Cook, all veteran pros. At 139 were Scott Simpson, Bob Eastwood, Masters champion

Larry Mize and first-day leader shaw, who slumped from his opening-round 67 to a 72. Norman shot 69 and was tied at 141 with defending champion Raymond Floyd, who was trying to

become the first player in 36 years to win back-to-back opens. Despite the ideal conditions,

Ballesteros shot 75 while former British Open winner Sandy Lyle of Scotland faded with a 72. Among those missing the 36-hole cut were



Tom Watson smiled after sinking a long, difficult putt on the last hole Saturday for a one-shot lead in the U.S. Open.



Mark Wiebe, the second-round co-leader with Watson, was almost treed on the first hole Saturday and shot 77.

#### Watson Battles Rumors as Well as Par

By Ken Denlinger Washington Post Service

SAN FRANCISCO - On the 320-plus yards. On two of the next four holes, he struck iron shots so purely that only a tap from his putter was necessary to make birdie. The day was so strangely fantastic that Tom Watson could reasonably have said to himself: "Hey, you look a whole lot like Tom Watson."

For the first time in a long time. From the Masters in 1978 through the British Open in 1983, Watson won eight major tournaments. From a little while earlier through a little while later, he won ments that made him a golfing mil-river of gossip lay, he refused to

the farm; that I was going to fire first round of the 87th U.S. Open. Chuck" Rubin, his brother-in-law and manager.

wife; it hurt my parents. But it a golf-course designer. "He seemed didn't hurt me."

"I'd like to deal directly, with the

source" of the rumors, he said. Not a couple of dozen other tourna- knowing where the mouth of this lionaire four times over. But all duck questions after he finished his for his second shot. He still had not Watson had won lately was a lot of round Friday. He acknowledged insisted "Only when."

1984 Western Open. There have "I'm not hurting," he said. "I still game winners. "Usually I use my been whispers about why, whispers do the things I need to win. But not fastball to set up the split-finger. loud enough for Watson to hear. as often. I felt like the Watson of "I don't feel t'm in as good "That I was an alcoholic," he old today."

divorce; that I was moving out to horrid as recently as Thursday, the I'm pitching."

That's people. They don't know Tatum, the former president of the into the right-field seats for his sevwhat they're talking about. It made

U. S. Golf Association and Waterth homer. me upset, you might say. It hurt my son's partner in his first venture as idn't hurt me."

so uncertain of himself. Anyone else would have shot 80." Instead, Watson willed a two-

over-par 72. Had there been doubt about a

return to championship form? "Not that it would happen," he 22d homer, a three-run shot in the

#### Guetterman Pitches His First Shutout

CLEVELAND - Lee Guetterman pitched a three-hitter for his first major-league shutout and fifth consecutive victory as the Seattle Mariners defeated the Cleveland Indians, 5-0. Sunday.

Guetterman struck out two and walked one in pitching Seattle to its sixth victory in seven games. The Indians threatened in the second inning when Joe Carter led off with a single and Brook Jacoby drew a one-out walk, but Carmen Castillo lined into a double play.

Cleveland's other hits were a two-out single by Castillo in the fifth and a one-out single by Carter in the seventh.

The left-handed Guetterman. who was 0-4 in 44 major-league appearances before this season, was purchased by Seattle from Calgary of the Pacific Coast League on May 21. He has a 2.65 earned run average in his six appearances, five of them starts.

Seattle got the only run Guetterman needed in the first on singles by Phil Bradley. Scott Bradley and Jim Presiey.

In the second, Rey Quinones doubled and scored on Harold Reynolds's double. Mickey Brantley singled Revnolds home and took third on a single by Phil Bradley, which chased Ken Schrom in favor of Ed Vande Berg, Brantley scored as Scott Bradley grounded out, putting Seattle ahead, 4-0.

Alvin Davis singled home Seat-tle's final run in the fifth.

Orioles 9, Tigers 5: In Baltimore, Tom Niedenfuer retired Detroit in the ninth, preserving the victory for Baltimore in a half-inning completion of Saturday night's suspended game. Kirk Gibson led off the Tiger's ninth with a double, went to third on a groundout and scored on Chet Lemon's sacrifice fly. But Niedenfuer got Mike Heath to ground out to end the game. Saturday's game, held up 2 hours and 23 minutes by two rain delays, was suspended because of an American League curfew, which prohibits an inning starting after ! A.M.

Red Sox 4, Yankees 2: In Boston, rockie Ellis Burks hit a tworun homer in the eighth after Dwight Evans tied the score with a

#### SUNDAY BASEBALL

ing Roger Clemens and Boston six innings, caught up with the right-hander, who was recalled from Columbus of the Class AAA

International League a day earlier.
Blue Jays 7. Brewers 6: In Toronto. Lloyd Moseby, Willie Upshaw and Fred McGriff homered and rookie Jeff Musselman earned his sixth victory with three innings of one-hit relief Sunday as the Jays held on to defeat Milwaukee. The victory enabled the Blue Javs to increase their lead over the Yankees in the AL East to a full game.

Twins 8, White Sox 6: In Minneapolis. Tom Brunansky homered and broke a 5-5 tie with a runscoring double in the eighth to lead

tory. Brunansky doubled off the center-field wall against reliever from second with the go-ahead run. over New York. The Red Sox, held to two hits by Bob Tewksbury for man Tim Hulett's fielding error and went to second on Kent

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tonal League, in St. Louis, Missou-ri, Vince Coleman hit a two-run triple and scored on Ozzie Smith's double in the second Sunday, leading rookie Joe Magrane and the Cardinals over Montreal. Coleman's triple off Bob Sebra extended his streak to 50 straight games he has reached base by hit or walk.

Minnesota over the Chicago White sixth straight, including four under Sox. The two teams hit seven a heir new manager, Lee Elia. The homers with the bases empty for Mets have beaten the Phils in all six the sixth time in major-league his- games this season.

Hrbek's groundout. Cardinals 7, Expos 3: In the Nai-

Mets 8, Phillies 3: In New York, Dave Magadan drove in three runs as the Mets completed a threegame sweep of Philadelphia. The victory was the fourth in a row for the Mets. The Phillies lost their

#### Seaver to End Pact With Mets

The Associated Press NEW YORK - Tom Seaver,

the three-time Cy Young win-ner, has ended his comeback bid with the New York Mets, it

was learned Sunday.
The Mets planned a news conference on Monday to announce that Seaver would not pitch for them this year.

Seaver, 42, who pledged he would reure if he felt he could not pitch effectively in the major leagues, had done poorly since agreeing to terms with his former team earlier this month. He has not pitched in the majors since last August, when a knee injury ended his season with the Boston Red Sox. He became a free agent this season.



The Cubs' second baseman, Paul Noce, got to see his throw to first complete a double play as he was grounded by the Pirates' Jim Morrison. Pittsburgh won Friday's game, 4-0.

#### Astros Beat Dodgers on 2 Homers, Scott's 3-Hitter

HOUSTON - Mike Scott pitched a three-hitter and Billy Hatcher and Kevin Bass homered Saturday to give the Houston Astros a 3-2 victory over the Los Angeles Dodgers.

Scott, 9-3, struck out nine to take over the major-league lead with 125. It was his fourth complete game this season.

"I was able to establish my splitfingered pitch early today," he said, having joined Chicago's Rick Sutcliffe and Montreal's Neal Heaton money. No tournaments since the the rumors and denied them. Hard. as the National League's only nine-

"That I was an alcoholic," he old today."

Said. "That I was going to get a The Watson of new had been I'm pretty satisfied with the way With the Astros trailing, 2-1,

"My heart bled for him yester- Glenn Davis walked with one out day," said his good friend, Sandy in the sixth and Bass hit a 1-1 pitch

tros, hit Scott's first pitch over the raga, who had led off the Montreal left-field fence for his first homer ninth with a triple, then Reed this season. The Astros tied in the scored on Mitch Webster's single. third when Hatcher homered.

Braves 8, Reds 6: In Atlanta. Dale Murphy hit his NL-leading third inning against Cincinnati, dur-

U.S. Open Golf

The Olympic Club's 4.700-yard 79-par course in San Francisco on June 20:

72-65-71-208

70-79-70-210

Tom Watson

Lennia Crements

#### SATURDAY BASEBALL

ing a game that saw seven homers. Pirates 8, Cubs 2: In Chicago, scattered seven hits, struck out four the's five-game winning streak. and retired 15 consecutive batters be-

ua. Gary Carter led off the inning

Dave Anderson, who began the Louis, Missouri, Jeff Reed's one-game batting .455 against the As-Louis, Missouri, Jeff Reed's one- Willie Upshaw off the bag before Ken Gerhart drove in three runs

It was Reed's sixth RBI this year, but his fifth in four games against the Cardinals.

Padres 10. Giants 4: In San Diego. Garry Templeton's two-run

homer, his first since last June 30, ton, Jim Rice hit a two-run single capped a three-run seventh inning against San Francisco.

during a four-run, fifth-inning rally that backed Al Nipper's five-hit

American League, in Cleveland, Mike Dunne pitched his third Steve Carlton posted his 328th vicstraight complete game while Barry tory in the major leagues and Brook Bonds and Jim Morrison each hit Jacoby drove in three runs with a two home runs for Pittsburgh. Dunne double and two homers to end Seat-The victory moved Carlton past

fore giving up a two-out single to John Clarkson into ninth place on Dave Martinez in the eighth inning.
Mets 3, Phillies 2: In New York,
342, in eighth place. Carlton scatfor Kansas City.
The Royals w Dwight Gooden pitched a five-hitter tered seven hits while pitching his and Kevin McReynolds's sacrifice second complete game this season; Brewers 3, Blue Jays 2: In To- Brian Downing getting four hits,

by bouncing a single off the glove of ronto, Jim Gantner's sacrifice fly one a home run, off Leibrandt. reliever Kent Tekulve. Dykstra ran completed a two-run seventh in-

Expos 7, Cardinals 5: In St. ek's grounder pulled first baseman Glenn Braggs hit a sharp grounder with two homers against Detroit that bounced off Gruber's chest for before the game was suspended afa second error that left runners on ter eight innings because of the AL first and second with none out. Bill curfew. Schroeder then grounded a single up the middle off loser Jim Key to drive in one run and Gantner's sacrifice fly broke a 2-2 tie.

Indians 9, Mariners 2: In the pitching against New York. Rangers 7, Athletics 6: In Oak-land, California, Scott Fletcher,

Ruben Sierra and Pete Incaviglia bomered for Texas. Royals 8, Angels 4: In Anaheim California, George Brett, Danny Tartabull and Kevin Seitzer each hit a two-run homer to back Charlie Leibrandt's eight-hit pitching

The Royals won their fourth straight while the Angels lost for fly, scoring pinch runner Lenny he struck out seven to raise his the fifth time in six games, all at Dykstra in the ninth, beat Philadel-career strikeout total to 4,084.

White Sox 10, Twins 5: In Minfor Carter and Darryl Strawberry hit ning that gave Milwaukee its vic- neapolis, Daryl Boston's two a sharp grounder directly to short- tory after consecutive errors by homers and four RBI, three during stop Steve Jeltz, who allowed the third baseman Kelly Gruber to an eight-run seventh that included ball to go through to center field as open the inning.

Dykstra raced to third.

Gruber's throw on Jim Paciorgo end a five-game losing streak.

Orioles 9. Tigers 4: In Baltimore seven uncarned runs, helped Chica-

Orioles 9. Tigers 4: In Baltimore.

The game, the first suspended at Memorial Stadium since Aug. 31. 1978, was delayed by rain for 58 minutes at the start and for I hour. Red Sox 9, Yankees 4: In Bos- 25 minutes in the bottom of the first.

#### **SCOREBOARD**

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## Major League Standings

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#### Baseball

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onn (6), Frazier (6), Alberton (7), Reardon d Buteru, Loudner (7). W-lan, 2-3. HRs—Chicago,

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NATIONAL LEAGUE

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and Sundberg, W—Fisher/a, L—Notes, 4-2, and Sundberg, W—Fisher/a, L—Rivieva, (46). Santono 13).

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#### 7). W Reardon, 44. Saturday's Line Scores

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(7), Righetti (8), Hudson (11) and Cerone,
Solas (8); Hursi, Schiradid (8), Sombile (10),
Gardner (13), Botton (13) and Sullivan, Getman (9). W—Hudson, 7-2. L—Sambila, 1-2.

HR3—New York, Ward (7), Pasqua (8), PopIlaruto (9).

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AMERICAN LEAGUE

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New York, Popillarulo (10); Boston, Evan

HR3—New York, Ward (7), Pasqua (8), PopIlarulo (9).

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Templeton (1), Santiaga (6)

#### Transition

BASEBALL
American Leagues
BOSTON—Put Bill Buckner, first boseman, on 15-day disabled list, retiroactive to June 10.
Recoiled Todd Benzinger, outfletder-first baseman, from Powtucket, international League.

New YDRK—Signed Tim Bosor, shortstop, and Patrick Disabate, allother, and assigned them to Little Falls, New York-Penn League SAN FRANCISCO—Signed Mike Rembaseman, from Powtucket, international League.

## Wet or Not, Wimbledon Is Set to Begin

#### Becker Well Favored Again, but Women's Field Appears Ripe for Upset Leading scores after the third round of the 27th U.S. Golf Open Championship played on

By John Feinstein

they prepare. For two weeks, they and, naturally, the rain. play. Sunday, the last of the equipment was trucked in, the wet grass courts were locked up and the last paint applied around the grounds. In 24 hours, the play would begin at the All England championships.

Not at 2 P.M. precisely, as tradition

dictated for so many years, but at

12:30 P.M. Several years ago, the All England Club decided it need-71-7249-212 each day and, much to the horror of 08-70-74-212 many, bowed to reality. But on Centre Court and Court 1 semifinal loser in her last three 72-72-68-213 at Wimbledon, 2 P.M. remains sa. Grand Slam tournaments, the two He has won five majors — three red and so it will be 90 minutes grand dames are suddenly vulnera- french and two U.S. opens — but ble. But. unlike the French Open, last year was his first Wimbledon versus Steven Shaw have begun that

Court for the traditional opener.

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7 strictly for the men. That too has or a hard court. but the No. 2 seed here on grass, plays his first match against qualithe first round last year, this time

fier Christian Saceanu.

Washington Post Service first match Tuesday at 2 against the third set. Then she missed an WIMBLEDON — For 50 weeks, Claudia Porwick of West Germany easy backhand volley, went into a

Before Sunday, when the sun popped in and out of the clouds, it had rained here every day in June. There will be an interesting twist this year: the women have no clear- chance. Mandlikova would certainly cut savorite. The men do. This is a be a tough quarterfinal opponent but reversal from the recent past, when a semifinal against Graf or Sabatimi Navratilova and Chris Evert were or an upstart would be winnable. the only two women given a reasonable chance of winning.

has won here seven times, five in a row — winless in 1987 and Evert a women's final. "I just want to win one of these before I say so long." where Steffi Graf was poised to step final and Becker wiped him out. into the breach, that is not so here.

Becker, the two-time defending have a favorable draw. But she has McEnroe home resting a sore back. 27-49-74—214
27-70-72—214
27-70-72—214
champion is the top seed and the favorite to begin Wimbledon's second since competing here two ond century the way he ended it's vears ago and although she has not begin Wimbledon's second century the way he ended it's vears ago and although she has not begin Wimbledon's second century the way he ended it's vears ago and although she has not begin Wimbledon's second century the way he ended it's vears ago and although she has not begin Wimbledon's second century the way he ended it's vears ago and although she has not begin Wimbledon's second control of the draw has Mats done poorly on grass, she is not the ble Jimmy Connors, who is playing

changed. Sixteen women's matches Still, she has won 39 straight will be played Monday, four in- matches this year and with Navravolving seeded players. The highest tilova and Evert in the top half of seeded woman to play - and the the draw, she certainly has a chance only one on a show court — will be to go far at Wimbledon. So do Gabriela Sabatini, the seventh Hana Mandlikova and Pam Shriseed. She opens against Barbara ver. They are in the lower half of Gerken on Court I right after Ivan the draw along with Graf and each Lendl, the No. 1 player in the world must see this as a golden chance.

comes fit and ready but questioning All the other traditions are in herself at crucial moments just as place: Becker playing at 2 P.M.; she always has. Saturday, at East-women's defending champion bourne, she had Navratilova all but as certainly as there will be rain.

Martina Navratilova playing her beaten, leading by 2-0 and 40-0 in first match Tuesday at 2 against the third set. Then she missed an funk and, kicking and screaming, lost the match. "I just need a little bit of belief in myself," Shriver said. "I know I have the talent on grass."

She will never have a better

"It would certainly be a great Sonable chance of winning.

Now, with Navratilova — who has now with Navratilova — who has no

Lendl feels about the same way.

On grass, Becker is certainly the Graf is the second seed and does favorite, especially with John Becker's half of the draw has Mats Once this first day was reserved confident player that she is on clay well enough to make some noise trictly for the men. That too has or a hard court. horse who gained the semifinals in

1984 and the quarters last year. Lendl's half includes Stefan Edberg, who twice has won the Australian Open but has never played well here: Miloslav Mecir, Andres Gomez: the enigmatic Henri Leconte and Kevin Curren. Curren was the losing finalist to Becker in 1985 and Leconte made the semis before losing to Becker last year. In 1985, he

upset Lendl in the round of 16. But, as always happens, the seeds won't hold. There will be upsets just

5



By Mark Hunter

and Lise Bloch-Morhange PARIS — "When I came to Hollywood in '75, nobody wanted me," said film director Jim McBride, 45. "But in Hollywood there is always hope."

McBride's hopes have crossed an important threshold in recent months. In April his film, "The Big Easy," a wonderfully entertaining crime thriller set in New Orleans (to which the title refers, in case the only big city you know is the Apple), won the Grand Prize at the international festival of police films in Cognac,

The film was subsequently a hit in the Netherlands, and opened in Paris last week, with its Orleans) paces the seduction of American release scheduled for

It is hardly usual for American films to open first in Europe, and ant Remy McSwain (the altertherein lies a Hollywood tale. Independently produced by King Dennis Quaid), which is consum- and the equipment was bor-Roads Productions for \$6.5 mil- mated in a brilliantly funny rowed," he said. Nonetheless, it lion, the movie's U.S. release had scene. been set for Friday, Feb. 13 — of all days — without the support of of-towner, in the course of unrava major distributor. "To be eling the mystery behind an apall days—without the strip of the mystery beams on up a major distributor. "To be eling the mystery beams on up sure," said McBride, "it would parent drug gang war, forces "Because it raises all those been a disaster." good-ol'-boy McSwain to conquestions about art and reality,

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But just before the film's premiere, McBride said, "I took the film to the Utah Festival at the Sundance Institute, and the audi-

ence liked it a lot." Among them was David Puttnam, the British film producer who had recently been named chief executive officer of Columbia Pictures.

"When the lights came on," McBride continued, "Puttnam turned around and said to me, T want to buy it.' Just like that." In a year marked by stylish crime flicks. Puttnam may have picked up the best of the lot. Among its other charms, in "The Big Easy" a soundtrack of zydeco (a sort of two-step rhythm and the district attorney Anne Os-borne (fetchingly played by Ellen Barkin) by the detective lieuten-

Later on, Barkin's upright out-

nately easygoing and intense

front the police corruption of which he is an active part.

"Putinam not only bought the film," said McBride, "he's been telling people that he likes it.
And everybody is watching him," not least because Puttnam took over Columbia on the theory that good little films like "The Big Easy" could make profits alongside costly blockbusters.

Not by coincidence, "I am suddenly okay for the first time in 20 years of filmmaking. People call me up, and send me screen-plays." A nice twist for a man who spent the last decade "trying to redefine my values to fit into this strange world."

By his own admission, McBride came to Hollywood with the wrong kind of creden-

His first (1967) feature, "David Holzman's Diary," was shot on 16-mm black-and-white stock for \$2,500. "Nobody was paid, captured the grand prize at the Mannheim film festival, and gave him instant celebrity in the art-



"I am suddenly okay for the first time in 20 years of filmmaking," says Jim McBride (left), whose film, "The Big Easy," stars Dennis Quaid and Ellen Barkin (above).

truth and fiction, the kinds of things students are preoccupied with," said McBride, "the film is still popular in cinema schools." His next three films (through 1974) confirmed McBride as a star of the New York avant-garde scene — a bit too long before New York's independent filmmakers, such as Susan Seidelman

and Spike Lee, came into fash-

When independent financing dried up in New York during the mid-1970s, McBride "decided to go west," and quickly discovered that his reputation hadn't traveled with him.

"People kept saying to me, 'Look, you're an unknown quan-tity,' " he recalled. "'You're bringing us original ideas that sound weird, and nobody's going to work with you.' I always worked for marginal people in Hollywood. There are a lot of people around the edges there independent producers with a little money to develop something."

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For years McBride adapted novels and rewrote scripts, eking out "a very poor living" as "a bachelor father raising a young I couldn't afford to buy one."

driving a cab. And there was al- tic style. ways the hope that something would happen."

He came up with the idea, "partly as a joke, partly out of desperation," for a remake of Jean-Luc Godard's New Wave masterpiece, "A bout de souffle" ("Breathless"). For the next few years he shopped the script he had co-written with Kit Carson (who played the lead in "David blue." Holzman's Diary") around the major studios.

directed a movie. I would have done anything to make it." When the directors Gere preferred And besides, who knows how turned out to be unavailable, McBride got the job.

The "Breathless" remake was released in 1983. "To me, the film was a success," said McBride. "It cost \$6 million to make, and frequently on European film.

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"The only way out, McBride grossed \$20 million." And like said, "was to find a property "The Big Easy," it offered a near-which had already had some suc-cess, like a best-selling novel. But striking richness of secondary characters, and a complex, hu-All the same, he said, "I was morous romance between two able to work in movies, some-how, while in New York I'd been that rare quality, an innate artis-

> "But there was a perception that I was a failure because Gere's previous film, 'An Officer and a Gentleman, took in \$200 million. I had nearly as much difficulty working after 'Breathless' as before. For the next three years I was involved in projects that never happened. And then The Big Easy' came out of the

McBride's agent slipped him By the time a star, Richard script (which he completely re-Gere, had been lined up, "it was wrote, he said) and a waiting pro-nearly 10 years since I had last ducer.

"I couldn't be more pleased," long it will last?"

- Mark Hunter and I Te Bloch-Morhange are journalists who write

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#### **LANGUAGE**

#### A Mandatory Routine

By William Safire WASHINGTON — "It's time we knew exactly what we were facing," said Fresident Reagan, mistakenly using the past tense were to parallel knew in a speech about AIDS, "and that's why I sup-

port some routine testing."

He did not explain what routine would mean in connection with mates of federal prisons and pa-tients at veterans' hospitals, but the word was central to his approach: "I encourage states to offer routine testing for those who seek marriage licenses. ... And I encourage states to require routine testing in state and local prisons."

The question immediately arose: Would routine mean "mandatory,

First to the ordinary meaning of routine. Rooted in the French route, "traveled way, regular course," the noun was adopted into English by Semmel Butler prior to 1680 in this the World lies, for the most Part, in Rotines and Forms."

Is that what the president meant? Of course not; routine has gained another sense in its adjectival state, more mollifier than qualiby people going into hospitals to cover both periodic examinations and treatment for ailments. It is a

add "nothing to worry about." That soothing comotation is what the president and his writers sought in using a word for a policy that means mandatory, "commanded," or compulsory, "forced." Gary L. Bauer, the president's domestic policy advises who knows what Reagan has in mind, told me that "routine testing at the federal level does not include the right to opt out." (Opt out is an academic-bureaucratic vogue term meaning "choose not to," obliterating the useful distinction between the thoughtful choose and the impul-

The feeling the president and his advisers wanted to get across is that the mandatory testing is to be applied in the regular course of human activity, part of what seems a normal, customary, usual, regular process. Immigrants are normally tested for communicable diseases: patients being admitted to federal hospitals are regularly given blood

tests, prisoners are periodically checked for evidence of disease. The compulsion is not out of the ordinary in these instances; hence, it can be called routine. It is doubtless mandatory, but the barshness of its mavoidability is tempered by the assurance that it is being done all the time as part of something else. The point being made by the use of the mollifying word is that federal testing of immigrants, inline up next Tuesday at noon for testing for this specific purpose -

or else. A further confusion was introduced by officials of the Justice Department who said that there: were considering random testing of prisoners. That word, rooted in "run," means "haphazard, aimless, purposcless." The word has become a term of art in the polling field, as a sampling technique in which each element has an equal probability of occurrence. Such testing is almost always voluntary. but in a random sample of federal prisoners or members of the armed forces, better not try to opt out.

FAWN HALL, secretary to Lieutenant Colonel Oliver L. North at the National Security Council until last November, appeared before the Iran-contra pan-el and boosted its ratings overnight. Linguists were immediately struck by her pronunciation.

Like many native Americani, speakers, she dropped the g in recgnize. "Reckon-ize is not a recent development," reports Fred Mish, rex of lex at Merriam-Webster. "It's recorded in Webster's Third (1961) with the obelus mark used to indicate evidence of its use by educated speakers, but that pronunciation is stigmatized by commentators on usage."

She also pronounced et cetera "ek-setera." This is not recorded in the unabridged Webster's.

According to the Dictionary of American Regional English and its lexicographer, Fred Cassidy, "The pronunciations 'ek-setera' and reckon-ize are not regionalisms. They are, in fact, very common, although you wouldn't expect to hear them from a person of high education. I would call them general colloquialisms, pronunciations that widely occur and are not restricted to a single region."

New York Times Service

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